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18 February 1982

# West Europe Report

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18 February 1982

## WEST EUROPE REPORT

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## ARMENIAN TERRORISTS ALLEGEDLY SHIFT TO GOLD SMUGGLING

## Istanbul Operation

Istanbul TERCUMAN in Turkish 17 Jan 82 pp 1, 14

[Report by Mehmet Balikcioglu: "The Great Gold Operation"]

[Text] Ankara--It has been determined that Armenian terrorist organizations using certain jewelers have smuggled large amounts of gold out of Turkey.

Because of the gold smuggling, initiated by the Armenians with the aim of obtaining income for their organizations, all airports and border checkpoints have been alerted.

Information has also been given to the concerned state organizations and the "Great gold operation" has been set in motion. Armenian terrorist organizations are said to have previously smuggled heroin--in transit--across Turkey. However, as a result of the successful operations and tight controls by the Turkish police, they are said to have given up this practice. In the "Gold operation," 200 million liras worth of gold in ingot form were seized in Istanbul alone.

## Tight Controls Prove a Barrier

The Armenian terrorist organizations in Europe shipped the narcotics which they obtained from Far and Middle-Eastern countries in transit across Turkey. As a result of successful operations carried out by the Turkish police organization together with Interpol, the use of Turkey as a bridge in narcotics smuggling was prevented. The security organization's determination, its pursuit of smugglers and its arresting of some of them have prevented smuggling of narcotics, particularly heroin, across Turkey by Armenian organizations.

## Under Armenian Control

Following the 12 September Action, careful control of customs entry and exit points, airports and harbors made it impossible for the smugglers controlled by the Armenians to operate. The Armenians, realizing that they would be unable to transport across Turkey the narcotics which they obtained from the Middle and Far East, began to shift to the sea lanes and began to use other countries as bridges.

## Tactics Changes

The Armenian terrorists gave up narcotics smuggling in the face of dogged pursuit by our police. Realizing that Turkish soil could not be an "entry point for narcotics," they next tried to smuggle gold. The Armenians smuggled significant amounts of gold out of the country obtaining financial support for their foul designs. This activity of theirs soon came to the attention of the Turkish security organizations.

The police, working day and night, discovered the jewelers whom the Armenians controlled and initiated the "great gold operation."

The operation netted 200 million liras worth of 22 carat gold in ingot form. Upon discovery of the gold smuggling by the murdering Armenians who martyred several of our diplomats, an analysis of the situation was made and the way to intercept the gold going to the murderers was determined. The work soon led to a successful conclusion. Another tactic of the gold smuggling murder organization ended in a fiasco. Meanwhile, airports, border points as well as harbors, the customs and the coast guard organizations were alerted.

## Anatolia Operation

Istanbul TERCUMAN in Turkish 21 Jan 82 pp 1, 14

[Report by Mehmet Balikcioglu: "The Gold Operation Shifts to Anatolia"]

[Text] Ankara--The "great gold operation" connected with the gold smuggling directed by Armenian terrorist organizations is still under way. The operations were begun following the discovery that Armenians had smuggled large quantities of gold out of our country. After Istanbul, the operations shifted to encompass all of Anatolia. Two Greeks and four Israelis, the tools of the Armenians, were apprehended. Meanwhile, measures were taken on trains leaving the country after it was learned that gold was smuggled in particular by train. Professor Bedri Gursoy, in a statement to our newspaper said "Gold is equivalent to foreign exchange. The state should continue the measures it has taken."

In their statements, the apprehended Greek and two [sic] Israeli smugglers said that they were carrying the gold in their possession to the town of Trieste, in Italy. In recent days, the gold operation begun by security officials in Istanbul has shifted to Anatolia. As a result of operations undertaken, approximately 50 million liras worth of additional illegal gold were seized.

When it became clear that the smuggling was directed by Armenian organizations, the measures taken at airports and harbors as well as customs checkpoints, and on trains leaving Turkey were intensified.

During the measures and operations which were carried out, the Greek nationals Atanoguas Calavadis, and Aloksos Gitsijis and Israeli nationals Andirie Suader, Kessel Maylkun, Harbinea Sjov and Adlij Kivey were apprehended. The apprehended Israeli and Greek smugglers said that they were transporting the illegal gold in their possession to the town of Trieste, in Italy, and that they did not know who was to take delivery.

Authorities indicated that the gold smuggling was being carried out in the same manner as heroin smuggling. They said "the women used by the smugglers place the gold in bundles which they strap to their abdomens to give the impression that they are pregnant."

## EVIDENCE ALLEGEDLY SHOWS USSR SUPPORT FOR KUK

Istanbul TERECUMAN in Turkish 26 Jan 82 p 13

[Text] The trial of the suspected members of the illegal "Kurdistan National Liberation Organization" (KUK) began in the No 1 Military Court of the Diyarbakir 7th Brigade and Martial Law Command. The Martial Law Military Prosecutor stated that the Soviet Union supported the KUK.

During the first session of the 199-suspect trial, the reading of the indictment was taken up following the determination of identities.

In the indictment, information is given pertaining to the organization's structure and operation and the KUK's strategy and goal are said to be: "To create a Marxist-Leninist oriented fully independent socialist North Kurdistan Republic" in the eastern and southeastern Anatolia area by means of armed mass uprisings resulting from the state power vacuum to be achieve through various terrorist acts.

The indictment indicated that the illegal, divisive KUK organization made use of various associations which appeared to be legal and noted that it published two organs by the names of "Pale" and "Xebat" and engaged in activities abroad. Meanwhile, documents obtained are said to contain evidence that the Soviet Union supported this organization, and it is understood from the testimony of some of the suspects that militants were sent to various neighboring states to undergo military training.

CSO: 4654/158

## BRIEFS

PETROLEUM FROM IRAQ--The progovernment newspapers continue to promote--with sensational headings--President Kyprianou's recent visit to Iraq and praise the results of the visit. I SIMERINI has every right to doubt the results of the visit because its editor was not invited to accompany the president as were [the editors of] the progovernment papers. The only result which we would acknowledge wholeheartedly would be if Mr Kyprianou struck a deal to bring down the price of petroleum which we buy, by contract, exclusively from Iraq. That did not happen. The government representative, when questioned on the matter, declared that since last October, Iraq has been giving us petroleum for \$34.93 per barrel. Since that time, however, the international price has dropped still further, fluctuating around \$32 per barrel. This proves that the government insists on following a mistaken tactic; a tactic which costs us many additional millions of liras. The correct tactic would be to refrain from being bound by bilateral agreement with a particular petroleum producing country, buying instead the cheapest petroleum, wherever we find it. It appears, however, that on the grounds of expediency, we are paying a high price... for our good relations with Iraq. [Text] [Nicosia I SIMERINI in Greek 25 Dec 81 p 3]

CSO: 4621/170

## EC APPROVES AID TO AILING STEEL INDUSTRIES

Zurich NEUE ZUERCHER ZEITUNG in German 7 Jan 82 p 13

[Article: "Brussels' Blessing For EC Subsidies For Steel Industry. Producers Hard-Pressed In France, Belgium And Italy"]

[Text] The EC Commission, at the urging of the commissioner responsible for questions of competition, Andriessen, has approved government subsidies that are officially intended to assist in restructuring and modernizing the hard-pressed steel industries of France, Belgium and Italy. It is assumed that these countries will adhere strictly to the new subsidy code that was painfully worked out and approved last June by the EC ministerial council. But in substance the new subsidies in these three countries will be little more than cash flow injections, since the firms of Cockerill-Sambre in Belgium, Usinor and Sacilor in France as well as Finsider in Italy, already close to economic disaster, can only be kept alive with government assistance. In any event the EC Commission, since the announcement of these firms' so-called reorganization plans, has worked closely with these countries' responsible government agencies and succeeded in getting them to reduce their redundant steel capacities as a part of the planned restructuring.

The EC has approved a first Belgian Government payment for the financial rehabilitation of Cockerill-Sambre in the amount of 9.3 billion Belgian francs. Of this total, some 5.2 billion Belgian francs will be used to convert the firm's obligations into capital resources and 4.1 billion francs as an interest-free loan. In addition, the firm will be assisted with a subsidy of 850 million Belgian francs, under the terms of Article 54 of the Coal and Steel Community Treaty, to carry out modernization investment programs. In return the company has agreed to reduce its annual production by approximately 700,000 tons. The scaling down of mill capacities is one of the top priorities of the EC, so that supply can more effectively brought into line with demand. The Belgian Government will be asked to report monthly to the EC on the progress of Cockerill-Sambre's activities.

To guarantee the survival of Usinor and Sacilor, the French Government will be allowed to grant liquidity subsidies totalling 4.43 billion French francs to these two steel producers. The EC guardians of competition have tied numerous strings to their approval. First of all, the emergency aid will not be permitted to exceed the stated amount in any instance. Second, the Brussels authority has set 30 June as the deadline for direct government assistance. Third, France must report to the EC Commission each month the scale and the type of funds paid out as well as the solvency of the affected concerns. Brussels hopes by this means to avoid

obvious abuses. Paris will be obliged, even before the end of the first quarter of 1982, to report further to the EC Commission, so as to get discussions of the restructuring of the French steel industry under way. Fourth, the EC Commission will tighten its control over the steel pricing policies of Usinor and Sacilor and expects guarantees from Paris that the compulsory production quotas set by Brussels are being strictly adhered to.

The Italian Government has also gotten the green light for an increase of its shareholdings in Finsider in the amount of 350 billion lira. This will be the first in a series of emergency assistance payments designed to ease Finsider's liquidity problems. The Brussels decision was facilitated by the fact that the Italian authorities had earlier last year already announced their plans for the restructuring of Finsider in discussions with the EC Commission. In line with this, production of hot, rolled, wide strip steel is to be reduced by some 130,000 tons.

In all three cases the EC Commission was at pains to save face, since the governments would have gone ahead with their subsidies to their ailing steel industries with or without Brussels' blessing. Thus the EC Commission tried to keep developments within its own terms, that is to insist that the moneys be expended for restructuring and modernization and not serve simply to assure employment.

These massive subsidies will of course distort competition within the European Community, such competition being even now only partially effective under Brussels' tight controls; the EC Commission's decision may have been met in some quarters with uneasy feelings. On the other hand, France, Belgium and Italy can not and will not allow their steel producers to fall into bankruptcy. Reasons of national interest once again have outweighed economic rationality. The subsidy steeple-chase within the Community will continue on its merry way, because steel producers in the other EC countries, some of whom are still in good health, will continue to cry out for state support. The German steel mills on the Rhine and in the Ruhr were doing so as early as last year. Initially they raised loud protests against the counterfeiting of competition, then they demanded levies on imported steel and, when this effort failed, they also put in their claim for state funds. In all fairness it should be mentioned that subsidies are being paid to the steel industry even in Germany. The difference is that such assistance is better concealed in Bonn.

9878  
CSO: 3103/199

## BRIEFS

NEED FOR DIVERSIFIED TRADING PARTNERS--The trade agreements signed between Greece and the Soviet Union and Bulgaria constitute an example of an equal and mutually advantageous cooperation. Greece thus ensures markets for its oranges, which ran the risk of rotting because of the EEC's unwillingness to purchase them. Simultaneously, it ensures the supply of oil and industrial products, the value of which will be covered by agricultural products. This would be difficult to achieve in Greece's trade exchanges with its EEC partners, who characteristically victimize the weak countries to the advantage of the stronger ones. Cyprus is facing the same problem in an exacerbated manner as a result of the inequality of our trade relations with the capitalist world. The value of the products we import from the EEC countries is up to 6 times greater than that of our exports to them. We import large quantities of manufactured products from Japan each year, while this country imports practically nothing from Cyprus. At the same time, Cypriot agricultural products, especially citrus fruits and produce, are increasingly elbowed out from Western markets and our balance of trade deficit is increasingly threatening our economy's stability. This type of trade relations cannot go on forever. The Ministry of Commerce must study the matter in order to achieve balanced exchanges on the basis of equality and mutual advantage. If the Western countries wish to respond to this need--and they actually don't--the government is duty-bound to reorient our trade to include those countries that guarantee us the kind of cooperation advantageous to Cyprus. [Text] [Nicosia KHARAVGI in Greek 17 Jan 82 p 3]

CSO: 4621/166

## MATTHOEFER LISTS ECONOMIC GOALS FOR EIGHTIES

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 2 Jan 82 p 5

[Article: "FRG Minister of Finance Matthoefer About the New Year: 'We Must Create Almost Two Million New Jobs'--Oil Crisis Requires Establishment of a Modern Economic Structure/Additional Public Funds Endanger Drop in Interest Rate/Higher Taxes on Oil a Suitable Source of Financing"]

[Text] The past year has convinced large segments of the population that after a period of growth the German economy is in a serious crisis. The GNP has shrunk and the number of unemployed has grown to over 1 million; but more than anything else, a paralyzing uncertainty has spread to a greater extent than in prior recession phases. In this difficult transition phase of the 1981/82 year end, the FRANKFURTER RUNDSCHAU economic editor has asked FRG Minister of Finance Hans Mattheofer (SPD) for a statement of the problems from his point of view.

Financial and economic prospects and tasks for the year 1982 must be considered in the context of overall goals for the 1980's:

1. Until the middle of the 1980's the number of potential German employables will increase by about another half million. Also, the number of foreigners seeking employment in this country will, despite all efforts to slow this trend, continue to grow in all probability. This means that in the FRG almost 2 million additional jobs will have to be created in the next few years so as to even come close to the goal of high employment.
2. We need an economic structure which uses less energy and fewer raw materials, which is kind to the environment and which provides a sufficient number of jobs for highly qualified specialists, technicians, engineers and scientists. The government must provide the framework which would further the establishment of such a structure.

Only a small portion of the new jobs to be created (about 500,000) can be added by more efficient use of available production capacities in a new economic upturn. One and one-half million jobs must be newly created; at the same time, existing jobs must be secured in view of worldwide economic structural changes and must be adapted to changing requirements, such as those for better environmental protection and more humane working conditions.

This requires considerable additional investments beyond the modernization of the existing production potential. These investments must extend across the entire spectrum of the economic potential and they should use the causes of present-day problems as a point of departure.

All Eastern and Western industrialized nations are at this moment facing a crisis phase. One of the main reasons for this is the turbulence caused in worldwide economic structures by the two oil crises. The sudden change in cost structures and the sudden growth of transfers of income requirements to the oil producers has triggered adaptation problems in economies everywhere; even in areas which have no apparent connection with oil. To that extent, adaptation problems are only incompletely expressed by the fact that the portion expended from our GNP for oil imports has increased since 1973 from 1.5 percent to 4.5 percent, a threefold increase in only 8 years.

In this situation it becomes important to effect a permanent stimulation of investment activity which is necessary for a structural adaptation of the economy and for the creation of new jobs. A drastic lowering of interest rates is a prerequisite for this.

A general restructuring of the economy is necessary from consumer to investment uses; in other words, the proportion of investment in the GNP must increase. This requires many individual efforts on the part of all those participating in the economy and a basic consensus on the direction in which we are to go by wage scale negotiators, the government and the Bundesbank.

What is necessary in such a situation are effectiveness, optimism and good will on the part of all concerned and their resolve to assess their own capabilities and potential. There is also a need for a certain amount of moderation: more money for oil and more money for investment makes for less money for consumption in a period of stagnating growth. Those who arrive at that insight do not necessarily have to become ascetics; on the contrary, they create the basis for maintaining affluence and for more and better protected jobs in the future.

We must not minimize unemployment and its effects. Nor would we be honest in promising quick solutions. But at the same time we feel justified in pointing out that during the last difficult year we have provided important prerequisites for improving the situation:

- price increases have slowed down; inflation is retreating;
- effective measures have been taken to limit deficits in public budgets, especially in the rate of consumer spending;
- A significant tendency toward decreasing balance of payment deficits has become apparent;
- both of these developments have led to a lowering of interest rates since early fall. We have already come away a good bit from last summer's highest level of interest rates.

But a further decline in the interest rate remains the most important requirement for stimulating investment. This is true not only for the construction industry, which is particularly sensitive to interest rates.

This is the reason why additional government credits are not suitable at this time for stimulating the economy. On the contrary, additional borrowing by the government could in the present situation have a counterproductive effect and could trigger tendencies of increased interest rates in the money markets.

The deciding factor in the present situation is mutual trust among wage negotiators, governmental economic policy and the Bundesbank. All of them must demonstrate trust in one another if the all-important cooperation of all concerned is to become possible. That is why I am imparting particular importance to the DGB's [German Labor Union Federation's] initiative directed toward a joint work policy offensive. This appears to me to be the proper way of obtaining as quickly as possible a drop in interest rates, an increase in public and private investment, more jobs and less unemployment.

Demands for an efficient and competitive economic structure is entirely compatible with demands for increased environmental protection and more energy conservation. We must assume that oil will not only remain scarce and expensive, but that it will become still scarcer and still more expensive. Oil prices will most probably increase at an above-average rate in the future also. Beyond that it must be feared that they will not move gradually, but by drastic leaps.

Let us not be deceived by present favorable developments. It is true that at this moment our oil consumption is decreasing, the balance of payments deficit is getting smaller, and a worldwide lessening of demand has led to weakness in oil prices. But what if there is an economic uptrend and with it a renewed worldwide need for oil?

In that case, the inflexible supply situation would quickly bring about a new oil price explosion. The German balance of payments would again slide into the deficit side; there would be a renewed abruptly growing transfer of resources to the oil producers which would once again engender a high social cost in the shape of stagnation, unemployment and a loss of affluence. A new balance of payments deficit would also entail a new drop in the value of the DM against the dollar, again with rising interest rates, with a general rise in import prices and with the need for new capital imports which would again harm the economy with long term costs for foreign debt management, i.e., again endangering the balance of payments.

Our only salvation lies in a severe reduction of our needs for imported oil (and for its substitute energy source, natural gas) by an appropriate change in our utilization and production structure -- only this could protect us against a constantly recurring repetition of crisis developments. The cost of such developments to our economy is much greater, as can be seen from the change in the cost of oil imports alone.

In a market economy, the best and most effective means of limiting consumption (apart from rationing and restrictions) is price. Appeals for economy, good examples and speeches can only supplement the motivation for conservation through pricing; but it can never serve as a substitute for it. Thus all conservation efforts after 1974 quickly diminished despite all appeals, when the price of oil temporarily stagnated and declined. The same thing is likely to happen in the future.

The cheapest and most popular measure for the near term, namely to renounce strong motivation for energy conservation, is surely the most expensive in the long run for

the German economy and for every individual citizen. In my opinion, it is therefore useful to make use of those opportunities for conservation which are based on a tax on oil consumption. This would be a suitable source of revenues also for the additional measures necessary for the structural improvement of our economy.

Measures financed in this manner would address the main cause of present-day unemployment: the balance of payments deficit, which leads to high interest rates and long-term lack of investment, to lower foreign exchange rates for the D-mark and therefore to higher prices. Anyone wishing to give priority to employment must provide a secure and firm basis for it through long-term solid productivity. But this is of course not an immediately effective miracle drug either. In fighting unemployment we must devote our steadfastness and energy to an extremely difficult task. It is up to all of us -- the governmental decision makers, the wage negotiators, social groups and every individual citizen -- to muster the necessary courage, mutual trust and patience in this cause.

9273  
CSO: 3103/213

## PROMETEIA FORECAST FOR INFLATION, EMPLOYMENT, TRADE DEFICIT

Rome L'ESPRESSO in Italian 27 Dec 81 pp 156-159

[Article by Leo Sisti: "No Room in the Front"]

[Text] Things will go worse in 1982: fewer people with jobs, high inflation, production declining, costs rising.

Bologna--The first impact is tremendous and is almost enough to make one stop reading any further what is nothing less than a bulletin from the war front: mounting public deficit, the economy stagnating, persistent inflation, high interest rates -- all of them swirled up in a perverse spiral. The Italian system is not growing, or even holding its own. It is falling back, in such disarray as to amount to a rout.

The report from Prometeia, the authoritative economic forecasting shop with direct lines to Treasury Minister Nino Andreatta (in its 100 pages of figures and tables, produced by the Center's research staff under Prof Angelo Tantazzi to show predictions as of December) paints a tragic picture of Italy.

Inflation. Inflation is dropping, as we see from these figures: it was running at 21.2 percent in 1980, will hit 19.2 percent by the end of 1981, and will drop another 2 points in 1982. This is not the time to call for a victory celebration, though. First of all, we are still seeing high levels of inflation. And, in the second place, it is in large part due to the recession, which has plunged deeper than Tantazzi's experts calculated it would. Confirmation comes even from the figures on the industrial production record: in last October's report the drop in that index for the then-current year should have leveled off at around 2.8 percent, but in the December report the drop was even sharper: down by 4.2 percent. Again in 1982 this particular figure has required retouching: at first it was thought that it might go up, by comparison with last year, by around 2 percent, but now they think the rise will be a scant 0.2 percent. This situation of high inflation and continuing recession will have a most untoward impact on employment.

Jobs. If the system does not grow, but merely holds its ground or even declines; if inflation, although inching painfully downward, keeps up its harmful pace, what will become of the workers? Just about everything bad you can think of, and they will thus find themselves out on the street without much ceremony, and nobody will be hired to replace

them. If we are to believe the Prometeia report, 1982 can be expected to bring a loss of some 82,000 jobs in industry. What is worse, though, is that this is the first time a phenomenon of this sort has not been offset by a parallel growth in business and service jobs.

THE NEW YEAR BY THE NUMBERS

	Projected Trend	If the dollar declines	If we pass an incomes policy
	1981	1982	1982
General CPI.....	+19.8	+17.2	+ 6.0
Gross internal product.	- 1.0	+ 0.6	- 0.2
Imports, goods and services.....	- 7.3	+ 2.3	+ 3.7
Family home consumption	- 0.2	0.0	- 0.1
Investment in machine tools & equipment.....	- 1.6	- 14.0	- 14.0
Building investment....	+ 0.2	- 3.7	- 3.6
Exports of goods and services.....	+ 5.4	+ 5.0	+ 3.9
Total internal demand...	- 4.1	- 0.3	- 0.4
Balance, foods and services (in billions of current lire).....	-10,049.7	-4,994.7	-5,028.5
Industry hourly wage...	+26.1	+22.0	+21.1
Overall industrial production index.....	- 4.2	- 0.2	- 0.4
Plant capacity utilization (%)	86.7	84.0	83.6
Current public deficit (billions of lire)....	-17,741.7	-22,689.6	-21,034.1
			-19,479.5

The incomes policy can bring no tangible benefit to the Italian economy in 1982, aside from some minimal rise in utilization of plant capacity. The benefits will, however, start to be visible in 1983.

THE MARK GOES UP, THE DOLLAR COMES DOWN in 1982

QUARTERS OF 1982

	I	II	III	IV
Lire per mark	538	550	560	577
Lire per dollar	1,184	1,182	1,204	1,223

These are Prometeia's predictions for the lira's exchange rates in the first, second third, and fourth quarters of 1982.

**JOBS (figures in thousands of employed)**

	1981	1982	Difference
Agriculture	1,043.5	1,041.5	- 12.0
Industry	6,512.2	6,430.5	- 81.7
Marketable services	4,183.7	4,193.6	+ 9.9
Non-marketable services	3,078.9	3,095.6	+ 16.7
<b>TOTAL</b>	<b>14,828.3</b>	<b>14,761.8</b>	<b>- 67.1</b>

For the first time in postwar history the total number of employed will drop in 1982. The marked growth in jobs in the services (particularly in government jobs) is not enough to make up for the severe decline in industry jobs.

**Wages and Labor Costs in Industry.** Prometeia's economists estimate that industry workers will get wage increases of around 100,000 lire a month in the coming round of contract renewal negotiations. Furthermore, since it is taken for granted that there will be some slippage there, it is clear that there will be somewhat less inflation in 1982. What about workers' hourly wages? They will rise next year by 22 percent, 14.3 percent of which will be cost of living adjustments and the remaining 7.7 percent will come from what are called "autonomous variations" in the hourly wage. Finally, the COLA will rise by 44 points in 1981, 53 points in 1982, and 49 points in 1983.

**Import-Export.** Italy will show a balance of trade deficit of 13.5 trillion lire for 1981, 7.5 trillion in 1982, and 8.7 trillion in 1983 (that last figure is lower than the 13.4 trillion of the previous prediction).

This is not all the Prometeia report has to say. Aside from the analysis confined to observation of current trends in the economy, without any outside corrective effects, that is, the experts examine two more scenarios (and the results are shown in the table on page 156): 1. What will happen if the dollar weakens; and 2. How an incomes policy would change the picture.

6182  
CSO: 3104/84

## FINANCE MINISTER ON ECONOMIC TRENDS, BANKING

Luxembourg LUXEMBURGER WORT in German 31 Dec 81 pp 21, 24

/Interview with Jacques Santer, minister of finance, labor and social security; and Ernst Muehlen, state secretary for finance/

/Text/ Last year Luxembourg too was confronted with many problems from the economic and monetary aspect. The hard struggle for the 1982 budget indicated as much. As last year, we asked Finance Minister Jacques Santer and State Secretary Ernest Muehlen about their plans for the economy of the country and the financial center Luxembourg. Of course the central question remains that of the development of Luxembourg banks.

/Question/ How do you view the past year from the aspect of financial policies?

Santer: 1981 marked the beginning of a period characterized by a very noticeable business recession. It is therefore important to expand the annual framework of the analysis and place it in the angle of vision of a medium and long-term analysis of the problems and forecasts of developments.

Our country's pronounced dependence on others requires rapid adaptation to new international situations. We must do everything possible to improve the flexibility of our economy so as to achieve our goal of restoring the international competitiveness of our industry. It is up to the state primarily to contribute to this goal by consistent financial and monetary policies, all the more because, in its capacity as a financial center, Luxembourg has found itself in a phase of consolidation this past year and no longer enjoys the large profits of the 1970's.

From now on everybody must be aware that balanced public finances increasingly require us to decide between that which is desirable and that which is possible, so that we may trace the necessary financial resources for the development of our production potential, the restoration of full employment--especially among young people --and the defense of the economically weak against the evils of the economic crisis. The sacrifices inevitably involved in such decisions must be equitably distributed among all strata of the public--without exception.

.The government is prepared to accept the responsibility for the adoption and implementation of budgetary austerity. In the present circumstances this actually

amounts to a policy of national solidarity. Our aim is the preservation of the general public's most important interests for the years to come.

Question Parliament has just now voted the 1982 budget. How will you try to cope with the difficulties caused for the state treasury by the business crisis?

Santer: We made sharp cuts in general government spending in order to be able to maintain the economic growth mentioned earlier. Government efforts are concentrating in particular on government spending on consumption. Extraordinary expenditure, in other words investment funds, will remain unchanged at a high level and incorporated in the medium-term government program.

Rising public investments will complement the large volume of investment aid to private industry.

As a policy for economic revival may neither make the poor poorer nor the rich richer, the government has adopted new and additional social measures such as the increase in family subsidies from the third child on, the upvaluation by 10 percent of loans to the handicapped, the increase in the cost-of-living supplement for single persons and households, more intervention by way of the unemployment fund.

Social measures at the revenue end have been adopted in addition to these expenditures. The most important one is obviously the selective adjustment of the income tax tariff, which mainly benefits the lower and medium income groups.

Also increased were various tax allowances. An example is the rise from 40,000 Luxembourg francs to 60,000 Luxembourg francs in the tax allowance for interest on savings accounts.

These economic and social measures will be financed as follows:

- Cuts in general spending;
- Issue of government bonds in the amount of 2 billion Luxembourg francs;
- Upward adjustment of various indirect taxes, mainly to adjust them to the tax rates of the countries bordering on us;
- Use of the budget reserve which, as per the legislative provisions, helps balance cyclical surpluses of revenues and expenditures arising from business fluctuations.

Though the government succeeded in keeping the 1982 budget within reasonable bounds (which, incidentally, are in accord with the recommendations of the Brussels Commission), we may not disregard the fact that we as Luxembourgers are subject to limits we cannot cross without putting at risk our economic and social future.

Certain measures adopted due to the compelling need for selectivity if not austerity may not please everybody. Be that as it may, the government considers it a duty to tell the people the truth. Restructuring our economy is an undertaking of national importance. The future of our and coming generations depends on our success.

/Question/ Economic and political developments are watched with concern here. Many investors are troubled by the link between the Luxembourg franc and the Belgian franc. Lately the Belgian franc has fluctuated a great deal. On several occasions it dropped to the lower end of the scale in the European Monetary System, at the edge of intervention, and this necessarily caused devaluation rumors. Considering this aspect, will Luxembourg maintain its link to the Belgian franc? Could and should Luxembourg uncouple this link? What are the possibilities for Luxembourg to influence the Belgian neighbors? How do you judge the future development of the Belgian economy and currency?

Santer: By now we have gotten used to the circumstance that the Belgian franc is in a state of disarray on the international foreign exchange markets once or twice a year. We should not overdramatize this, because the Belgian National Bank has the firm resolution and the necessary resources to defend the Belgian franc's exchange rate. Incidentally, it did so again, and successfully, in recent weeks. Lately State Minister Pierre Werner commented this problem at length in the Chamber of Deputies. I will therefore confine myself to some key issues. Admittedly the Belgian balance of payments has been in considerable deficit for a few years past, but it seems to me that the deficit of the public budget in Belgium represents an even greater burden for the government and the prestige of the franc on foreign exchange markets. The new Belgian Government seems determined resolutely to tackle the outstanding problems. We must hope that it will keep a majority long enough for the measures envisaged to come to fruition. The Luxembourg Government will at all times plead for the stability of exchange rates both with regard to the Belgian partner and within the scope of the European Monetary System--where Luxembourg has a fully equal right to be heard. Though reflections on a possible uncoupling of the Luxembourg franc from the Belgian franc are legally possible within the framework of existing treaties, they are not topical for economic and financial reasons. Instead we hope that the 10-year extension of the Belgian-Luxembourg monetary union will be enacted by the Belgian and Luxembourg parliaments in early 1982.

Let me point out also that the exchange rate of the Belgian franc has been rather favorable in the course of December, and that to a certain extent the tensions burdening the Belgian franc have somewhat relaxed.

/Question/ What are your plans for Luxembourg as a financial center? Is legislation being discussed for the improvement of the legal and qualitative base of banking in Luxembourg?

Muehlen: Our efforts to strengthen and expand Luxembourg as a financial center aim in three main directions. We are striving for the simultaneous consolidation, diversification and improvement of the legal bases and legal safety of the transactions settled by way of the Luxembourg turntable.

In its initial statement of 24 July 1979 the government told the Chamber of Deputies that it felt obligated to assign continued priority to the further expansion of Luxembourg as a banking center and to significantly promote banking operations as well as related activities. This was to be done especially by way of the additional diversification of transactions settled in Luxembourg.

Responding to your wishes I will confine myself first of all to the legislative promotional measures contemplated. Here we are particularly concerned with providing a government contribution to the improvement of general conditions for financial operations and, at the same time, that of safety in law for such transactions. A specially important milestone was recently set in this field. It is the banking law enacted in April 1981, which reconciles national regulations with the rules on accession to the banking business and its conduct contained in the 12 December 1977 directive by the European Council. In addition to general licensing conditions, for example, the legal nature of the banking secret in Luxembourg has been more precisely defined and other issues settled also, such as consideration of the so-called junior-ranking claims in the calculation of capital resources and the ratio based on capital resources.

A second draft bill already studied by the Council of State and now before the Chamber of Deputies concerns investment funds. It provides the framework for the operations of these investing organs. Even though nothing will change with regard to taxation, this specific statute will in future make it possible to expand the range of investments consonant with the necessities of the moment, so that the creation of money market and precious metal funds will now be able to proceed on a legally unimpeachable basis.

The third project is also in the pipeline and will soon be enacted. It deals with moratoriums, supervised transactions and the conduct of banking and credit business. This law offers the authorities new opportunities for looking after the interests of bank customers in the case of an institute getting into serious trouble. It provides new, gradual and therefore more effective possibilities for intervention, and thereby will result in an improvement in the tools available to the bank commissioner in emergencies.

As regards the gold trade, freed from the value-added tax in Luxembourg, it is planned to facilitate the issue by banks of certificates of deposit and transactions involving paper gold. In future, based on a legal regulation, interchangeability will apply to gold to the same extent as it already applies to securities.

It would be going too far to deal in detail with all the legislation submitted in connection with the operations of our financial center. Let me mention only that Luxembourg is currently involved in raising the safety in law of trust transactions by legislating the rights and duties of the parties concerned.

Question What, from your standpoint, was typical for the Euro market year 1981 of local banks? There is some talk of a structural change in Euro banks. What are we to understand by this? Do you see new developments, definite steps in direction diversification?

Muehlen: In 1981, just as in 1979 and 1980, the development of the Euro market was characterized on the one hand by the high interest rates charged on this market and, on the other, by narrow financing margins. As a result the profits of Euro institutes were considerably smaller, and this explains the decline in corporate tax yields--Luxembourg banks account for 80 percent of these revenues.

Consequently the institutes operating in the Luxembourg financial center--and the same applies to other centers also--are now asking themselves whether greater diversification might not achieve an improvement in their profit structure. The Luxembourg Government has resolutely assisted the Euro banks in their efforts for greater diversification. When we are talking of diversification we tend nowadays to refer to such operations as export financing, trust business, asset management, investment in gold and other precious metals, and so on. Several banks in Luxembourg intend to expand their operations in these fields. At the initiative of domestic and international banks, for example, gold fixing on each bourse business day has been introduced in collaboration with the Luxembourg Stock Exchange. Some banks have also begun to open gold accounts and issue paper gold certificates. It is not impossible that this trend will ultimately prove to be an incentive for one or the other investment banker to settle in Luxembourg.

Moreover the prospects are good for a parallel advance of diversification in the non-banking sector. In this connection I would like to point out that some institutes conducting bank-related activities are already operating in Luxembourg. They include credit institutes without banking status, bank brokers and stockbrokers, leasing and factoring corporations, and so on. The insurance sector also, especially as relating to reinsurance and international transportation insurances, offers new opportunities for expansion. First successes have been recorded in this sector.

Question How do you judge the future of the Luxembourg Euro financial center following the recent opening of the American market to Euro banking transactions?

Muehlen: Though bank earnings have declined since 1978 (for the past few months they have somewhat recovered) we cannot possibly call this a structural crisis of the Luxembourg banking center. On the contrary: Proportionately Luxembourg is about to consolidate and expand its status on the Euro market.

The recent introduction of international banking facilities in New York is unlikely to change this situation.

In connection with the Luxembourg financial center we are often asked how it will be affected by the introduction of the IBF /international banking facilities/ in New York, which is bound in future to exert some attraction on Euro business. Though an accurate forecast is not easy to make, there are several factors reinforcing the Luxembourg authorities assumption that the consequences for the Luxembourg financial center will be limited. Let me remind you that the 11 U.S.banks established in Luxembourg hold only a small share of the total business volume of the center; it is unlikely to exceed 4 percent. The risks of a return to New York of a major credit volume in Eurodollars are therefore small, all the more because the Luxembourg financial center is predominantly geared to the D-mark, and the dollar business is relatively less significant here than for other centers.

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CSO: 3103/222

## DEN UYL ON UNEMPLOYMENT, LABOR PARTY DEVELOPMENTS

Rotterdam NRC HANDELSBLAD in Dutch 16 Jan 82 Supplement pp 3-4

[Interview with J.M. den Uyl by Marc Chavannes]

[Text] At the moment the offices of the minister of social affairs and employment breathe the atmosphere of a beleaguered fortress. Den Uyl, however, does not appear affected or changed by events.

His schedule is still like that of the captain of a tramp steamer; arrival and departure, even for close collaborators, are like a midsummer whirlwind; his gaze and his attention are fixed upon remote objects imperceptible to his fellow men. And--the questions that he answers are more often not the ones he poses himself.

"If politics still has an answer to such problems as unemployment...""What I have found particularly discouraging the last 5 or 6 years is that the choice is evaded"--"As I see it the PvdA [Labor Party] lacks recognition of internal authority, leadership, and vision..." Those are a few remarks made by Wim Meijer, chairman of the PvdA parliamentary delegation, in the HAAGSE POST last week. They are expressions of doubt about Netherlands politics and the Labor Party in particular such as professional politicians seldom allow themselves. Although there is plenty of occasion for them, certainly now that the coalition cabinet of CDA [Christian Democratic Appeal], PvdA, and D'66 [Democrats '66] is facing new trials by fire (and parliamentary elections).

Whereas CDA Prime Minister Van Agt took the months of December and January off for a small operation and an overdue vacation, J.M. den Uyl, minister of social affairs and employment and leader of the Social Democrats, who are again participating in the government, has been riding high waves for weeks.

There is no employer, no union leader, who does not utter his name every day in bewilderment.

After an impressive career, the 62-year-old former prime minister has staked his political life on the riskiest job of his existence: the fight against unemployment. What is he up to? How has he succeeded so quickly in becoming for so many the personification of everything that is going wrong at the moment? Will his own party, which for years has devoted more attention to expressing the desiderata

than to investigating the possibilities, go along with the necessities of the present? What has happened to the fearlessness with which 6 years ago he put up some of the accomplishments of the welfare state up for discussion on VPRO [Liberal Protestant Broadcasting Association] radio? Where will he find the jobs that his much-discussed "Plan 1982" must create?

Reasons enough for a somewhat more searching interview, feet on the desk or not. Herewith, however, only an account of three attempts to get one.

The last contact took place in the minister's official automobile as it was driven above the speed limit from The Hague to Amsterdam Wednesday of this week [13 January]. After an introductory remark from the interviewer, Den Uyl took the floor, not to relinquish it--except for a single interruption that never had a chance--until we reached the palace on the Dam. With an inimitable movement of his head the vice prime minister made it clear that the meeting was over, ducked out of the silver gray car, and entered the palace to wish the queen a happy 1982.

"Do not misunderstand me. Our problem is three quarters of a million jobs--the half million unemployed now and an additional work force of 300,000. It is completely inconceivable that the employment problem can be adequately solved by way of technological renovation and restoration of profit.

"Oh, la, la. What are you doing now? You were on the right road. I am afraid this bridge is jammed." The minister of social affairs and employment interrupts his dissertation on the misunderstandings between employers and employees to tell his chauffeur, who has been driving officials around for 21 years, the way to the Palace on the Dam.

The bridge he was worried about appears to offer no obstacle. As he often does when he interrupts himself, Den Uyl drops the subject immediately. He sits still and looks as if he were going to say "Go against the stream!"--a favorite improvisation when he wants to add something striking at the end of his speeches. It has a lot to do with himself. Last week, when the reactions to the health insurance bill began to be fired off, he looked tired, yawned a great deal, and spoke in an uninspired short of shorthand. Now that the criticism has grown into opposition, he sees everything clear ahead of him again.

"I do not have so much difficulty in explaining the aggressiveness and alienation of the moment. The overwhelming majority of the population are convinced of the necessity of economies and expect them. But as soon as they become palpable for specific groups, resistance arises. There are 900 organizations of employers and nearly as many of employees. They always stick up for their members. Everybody measures his well-being against that of others. That is the way the Netherlands is organized.

"It is doubly hard for the PvdA because more than others it accommodates vulnerable groups, lower incomes. Moreover, it is expected of Den Uyl, who is identified more than anybody else with the maintenance and restoration of employment, that he can put an end to unemployment. When the outlook still gets somber, Den Uyl is looked at askance. That is the main cause. Around about it other motives and half-motives also play a part. At the time of the cabinet formation the CDA did everything it could to bestow the ministries where the cuts would take place on the PvdA..."

[Question] You could have been minister of finance, and then you would not have had to economize either on Social Affairs or on Education.

[Answer] That is correct. But on balance we felt that Social Affairs and Education count more heavily than Finance. Although originally I had more preference for going to Foreign Affairs--and the persons engaged in the cabinet formation were in agreement with that...

Den Uyl is identified with new jobs. Perhaps for that reason he began last week on TV to temper the expectations of the direct harvest in 1982. In his office he said: "Oh, that job plan. In my opinion that is a thing that was fomented more by the Right than by the Left. I never said anything about that job plan besides what is in the coalition agreement. One time, in the first week of my term as minister, I said something about it on the TV, practically all of it quoted word for word from the coalition agreement. Since then it has only been spoken of in Halberstadt and De Galan's agreement on the cabinet formation and in the declaration of the new government. Otherwise I have never used that word "job plan." I find it an unfortunate and unpleasant word, which suggests that you are creating jobs. It won't work that way at all, of course. It is only in cooperation that you can bring anything about. That is extraordinarily difficult, but completely necessary. It would be better to talk about employment policy or an employment plan. As for the number of 60,000 in 1982, I still think that is a correct figure; the next few weeks will show. But you must not think that tomorrow there will suddenly be 60,000 more jobs."

Den Uyl finds it hard to say what the lower limit of his employment policy is, if it made any sense. "I would feel it to be a tremendous thing if we succeeded in bringing the alarming growth of unemployment to a stop. On the basis of the employment plan it must become clear this year whether there is a real joint effort in the cabinet to do what the coalition agreement says. If that does not get going this year in earnest, I think it is a lost cause."

[Question] What do you measure that by?

[Answer] By the money that is provided for it. That must also remain available for the coming years, and it will even have to be increased somewhat. A great deal will depend on the cooperation that is given to a purposeful employment policy in connection with income moderation and a further reduction in the differences in income. If the CDA says--and I cannot imagine its doing so--we are only interested in reducing the financing deficit, then the whole thing will come to a standstill.

[Question] Why is the reduction of differences in income so important in this connection?

[Answer] That is quite simple. There are still enormous differences in standard of living, in people's possibilities. In the decline over the next few years I feel that the lowest incomes must be spared and the highest must give up more. The people with the lowest incomes will justifiably rebel if that does not happen. The difference between the minimum income and four times the modal is 1:4 net.

You can well demand more from anybody that makes 4 times as much as 20 to 30 percent of the population, and you can keep it up for a number of years. I can easily see problems for some categories of firms. That is the reason for the

"incidental" wage. But I see no reason at all to deviate from the norm according to the coalition agreement (decline in purchasing power 1 percent for minimum incomes, increasing to 4 percent for 4 times the modal income). It is not at all true that the thing is as flat as a twopenny bit, as Albeda has said. It is nothing like that; that is quite patently incorrect. And I am not going to let myself be dissuaded. This is a distinguishing mark. Socialism is more than equality, but Social Democracy, certainly in a period of economic decline, is for reduction of differences in income, for a great degree of solidarity.

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While opinion polls are still far below the dramatic election results of May 1981, and while various PvdA ministers and members of the parliamentary delegation have a severe hangover left from the thrashing they had to take at the party council meeting of 18 December and many are wondering what the Social Democratic principles may have been in a declining welfare state, Den Uyl sees no reason for concern: "I myself am not at all in the dark about the PvdA's course.

"In the last few years the PvdA has existed in the shadow of the failure of the cabinet formation of 1977. It is still often puzzling how the process can have taken place at that time that led to the negative pronouncement of the PvdA party council. That did not lead directly to the failure of the cabinet formation, but it did make an important contribution to it.

"Not participating in the government after the big, almost historic victory in the election of May 1977 and the subsequent radicalization of the cadre during the opposition period under the first Van Agt cabinet--those factors made it possible for the atmosphere to develop in which D'66 was able to grow. Seven of the 9 seats that we lost can be shown to have gone to D'66. For a part of our moderate supporters D'66 thus became something of a haven of refuge and perhaps even a permanent home. Naturally that stings the PvdA. It represents a loss of power. Whatever you may say about the cadre of the PvdA, it is certainly not without a feeling for political power. And sometimes that evokes tensions. When the last party council of 18 December once more dotted some i's, comparisons with the party council of 1977 were immediately forthcoming. I did not find it by any means so dramatic."

[Question] Dotting the i's is a mild description. A NATO general would hardly have encountered more distrust than parliamentary delegation chairman Meijer in the exposition of his nuclear arms policy.

[Answer] No, you are looking at that wrongly. I have suffered greater defeats at congresses and party councils, in 1967 and 1971, later smaller ones, it is true. I found it very rough on Wim Meijer, and completely undeserved--he is an outstanding man--and also on the parliamentary delegation and Max van den Berg. But I would have found it a miracle if the party council had not made some kind of to-do after it had been written off earlier because of sheepishness, after a unanimous congress when the party entered this cabinet and a very tractable congress in the time of De Galan and Halberstadt (in October 1981).

[Question] "Strongly condemning" the policy followed is a maximum to-do.

[Answer] What was condemned was the simultaneous handing in of a nuclear arms motion of our own and the cosigning of a Lubbers motion. A procedure that was laughed at first of all by the NRC HANDELSBLAD and by almost every newspaper in

the Netherlands. Wrongly, in my opinion. That does not alter the fact that, as they say nowadays, that course did not come across well. If the party council is obviously saying the same thing as the papers, is it not hard to maintain that it is a bunch of idiots?

[Question] When you bring the newspapers into it you arouse the suspicion that the party council itself could not appraise the explanation given over and over by Meijer.

[Answer] I entirely agree with you on that. I felt that Meijer defended it excellently.

[Question] In 3 minutes and 12 seconds.

[Answer] Certainly; the party machinery has been running that way for 12 years. I feel that such a statement should not have been adopted after Meijer's explanation. I do not feel that it says much for the political maturity of the party council. But I can well understand their getting their teeth into it. Let us drop it. When you see how political Netherlands, with the CDA standard-bearer in the forefront, once the peace demonstration turned out to be a great success, hurried to show their esteem, admiration, and sympathy for the demonstrators, after first having opposed it in every possible way. I did not find that a mark of great character.

[Question] What has happened to your following when Meijer was booed at that same demonstration, when the Industrial Union FNV [Netherlands Trade Union Federation] speaks of "a minister of asocial affairs," when your fellow party-member Mrs Dales, secretary of state for social affairs, came under fire on VARA [Workers Radio Amateurs Association] radio as a suspect person?

[Answer] Oh, that is nothing new in the framework of the socialist movement. The fighting is fierce there, whether it concerns the peace policy or NATO. Do not forget that the SDAP [Social Democratic Workers Party] was a pacifist party until 1937. It lived for 15 years with the broken rifle. It was only Hitler's conquests that led to a change of course, and that was fought over with great fanaticism.

There is perhaps one new element. In the PvdA, perhaps more than in other parties, the automatic respect for a minister, a secretary of state, or a chairman of the parliamentary delegation because of his position has grown thin, not to say disappeared. That has become official doctrine in the democratized PvdA. Whether it is Den Uyl, or Dales, Kok, or Meijer, you have to prove yourself. That is perceptible in other parties as well. In the CDA, with a time lag of 5 to 10 years, practically all the measures against pluralism of offices are being taken that the PvdA took in the 1960's and 1970's.

[Question] I am not thinking so much of a lack of respect for authorities as of distrust of the representatives who, in the Second Chamber or in administrative positions, try to realize something of the social democratic principles.

[Answer] In the 4 1/2 years that I was prime minister I had, on balance, no trouble from bothersome pursuit by the party or the party committee. The only conflict was over the F-15 (Vredeling), and there was a difficult and violent discussion

over the 1-percent operation. I admit, it is not that I had unanimous admiration in the political culture in which the PvdA moves. You may say: what does it have to do with democratic discussion if you can talk half a minute.

At congresses and party councils motions can be presented much too late, so that one is forced to pass resolutions that have not been discussed in the divisions. That is a bad thing. The stencil machine turns. It is also true that in the party council there is a natural tendency to radicalism. On the other hand I find the level, the method of arguing and formulating documents, better than 20 years ago, with some exceptions.

Look, the present political climate is very harsh. That really does not apply to the PvdA or the PvdA ministers alone. The employers' position of not being willing to discuss the employment plan was also very unusual. They thus exposed themselves to the criticism of practically the entire Netherlands press. There are more general causes that do more to explain what is happening than such a frightful radicalization of the cadre of the PvdA, for there is no such thing. What is true is that the crisis hits hardest among the rank and file of the PvdA. The decline in prospects makes people testy, determined, aggressive.

[Question] The people that are hit hardest by the slump are not the same people that are testy at congresses and party councils. The latter are for the most part younger people with a job or a scholarship.

[Answer] No, investigation shows otherwise. In the majority of cases they turn out to be people who have close contact with the trade union movement, some of them district administrators of the Industrial Union.

[Question] Would you care to name a few?

[Answer] Well, okay, I believe the majority are quite academically trained. That is true. But then it is still their convictions that make them seek contact with the trade union movement. They feel it as their world that is affected.

So it is with the health insurance regulations, or at least proposed regulations, that are now igniting fires in the PvdA. I expected nothing else.

I think you will find--how great is the political understanding of reality? It is also my view that the understanding of the economic emergency situation that has developed and the consequences of it has penetrated only after some delay. Two years ago the party council in Den Bosch still wanted to maintain the purchasing power of people with a modal income. That was the last time. I felt that resolution to be wrong at the time. It is true that the PvdA and the cadre had great difficulty, and still have, in accepting the consequences of the economic slump. I explain that mainly by our ties to the working masses.

[Question] Have you no regrets about not having tried more often to set an example to your party in that understanding of reality? The election congress of 1981 held firm to maintaining the purchasing power of the minimum incomes, while you and the economic experts knew that it could not be maintained, to mention an example.

[Answer] That became minus 1 in the negotiations for the coalition agreement, and there was a key to it in the PvdA's election platform. I clearly specified:

*until it becomes impossible.* But I think you are right that I could have said to the congress: Listen carefully, people, I have staked my head not only on the nuclear weapons, but now again on not maintaining the purchasing power of the minimum incomes. I found that I could not do that for internal political reasons, and externally, too, politically it would only have caused misunderstanding. The congress, the party central committee, and the standard-bearer were interested in a maximal protection of purchasing power. Without that statement it might have become minus 2.

That congress is not so dumb; that congress participates in negotiations and takes negotiating positions. You can see that in connection with my nuclear weapons reservation as well. The great majority were not planning to take any risk on that. In a certain sense that formula for the minimum incomes was the price for accepting my nuclear weapons position.

I can understand your position, and I, too, sometimes think in flashes of anger: Those people are so fanatical and dishonest. Certainly there is also a certain amount of lack of knowledge involved. Sometimes here and there a trace of reprehensible fanaticism--but that is only in the case of a single member of parliament who is on a demagogic maneuver.

Look, of course I sometimes look back after so many years. What has turned out to be right and what has not. At first hand you sometimes say: The idiots. But later I often say: But it was not so crazy to formulate it that way; it provided backing. For that reason I absolutely do not share the image of the PvdA that is alienated from reality. I have observed that the seeming over-radicalism sometimes contains elements that work out very fruitfully. You can see that in the "Red Women's" proposal to arrive at a 5-hour workday. I believe that came up for the first time in the fall of 1976. I immediately thought at the time: In time it may come to that. But you simply have to recognize that that idea not only has come to play a part in other countries but even in the Netherlands is no longer entirely an empty dream.

.....

Den Uyl admits that the repeated rejection of Van der Louw's youth work plan does not suit him; he calls the resolutions of the congress and the party council last fall "short-sighted." And the action of the party committee in connection with the Doodewaard anti-nuclear-energy demonstration is "open to criticism."

"Unfortunate things happened in connection with that. Expectations were raised that could not be fulfilled. That is a thing that we must be very much on our guard against in politics."

According to Den Uyl the PvdA's experiment as a "demonstration party" showed that there is only limited room for conducting demonstrations side by side with those of its own representatives in administrative bodies.

"May I interpret your question as meaning: Is the PvdA not, all in all, still the party of unfulfilled expectations? My answer to that is: Every reform movement runs that risk. The PvdA successfully took part on the Left in the reform movement of the 1960's. That evoked the credibility problem that some think applies to the PvdA. It is quite true that our objectives on certain issues were only partially attained. At the same time I felt that the extraordinary congress that opted for this cabinet was a sign of political maturity.

"The most vulnerable side of the PvdA of the last few years is allowing expectations about the economic development to be entertained longer than was justified by the facts. Perhaps in 1977 we put too much emphasis on wage restraint and too little on cutbacks in public spending. That is partly due to the strong belief in the possibility of effecting economic growth and of controlling the economic development.

"The last cabinet formation was an exercise in political realism. If the ties to that cabinet now seem less strong than is normal when the PvdA participates, the blame for that does not lie primarily with the PvdA.

"That is due to the crisis in October's having been necessary, to a number of utterances and maneuvers, and due to the suggestion that the CDA is using the PvdA to do unpopular things. That makes a party testy, and with justification. Then the PvdA says: Then that job plan must be put in, that money must be provided, and it must be subscribed to by the whole cabinet. The PvdA is a problem because Netherlands politics is a problem, and not a greater problem! The problem of Netherlands politics is primarily the flight from responsibility. I would definitely not lay the blame for that primarily on the PvdA. There are quite different escape movements under way. The talk is not directed toward pointing the finger accusingly at the CDA and D'66, not to mention others, but it is clear to everybody that the PvdA ministers and especially the vice prime minister are exposed to the hottest fire.

"I am aware that in business circles Den Uyl is seen as the embodiment of a different kind of policy from what the employers consider desirable. They resist the stamp that they think Den Uyl has put on that policy. It is from this that the conflict arises about whether or not to discuss the employment plan. That explains the unmistakably tense atmosphere in the present conflict, at least the opposition, at least the debate over the employment plan.

"Look, what is the outlook for the 1980's? Not zero growth; it could be 2 to 2 1/2 percent in my opinion. What it will be? That depends to a considerable extent on what is done within the framework of the OECD, whether there is growth in America, whether it is possible to start a flow of capital to the poor countries that will raise the buying power there.

"I do not say that to take refuge in international relations. The question of whether there will be growth here in the Netherlands and hence restoration of industry will depend in considerable degree on that sort of factors. But even if you assume an average of 3 to 4 percent--as nobody does--you must still assume that restoration of employment will by no means be achieved by itself. There is a very widely held opinion in this country that restoration of profits, reduction of public spending, and income restraint will lead to improvement in employment. But improvement in the market economy will bring about technological renovation and thus additional forcing out of labor. If all Wagner's and Van der Zwan's reports are right, the decline in the number of jobs will at best be brought to a standstill.

"It is a mistake to think that you can find an answer to the employment problems in a time of technical renovation, unless shorter hours and redistribution of work can make an important contribution. That is a gigantic task. In addition there is modest scope for expansion in the fourth sector (public services) and a

limited amount of room for growth of employment in the market sector: on balance not in industry, but in services to capital-intensive and automated industry.

"Businessmen and the political Right have a great fear of facing this reality. They are afraid that measures to deal with it will take so much money and attention that what they regard as far and a way the most important thing, improvement in profits, will run into trouble. They see such an employment plan as a threat, as a thing that gets in the way of their own objective."

[Question] What are you doing to restore vitality to the firms?

[Answer] Providing for a limitation of the rise in costs (just think of the relief that is represented by the very modest rise in labor costs compared with competing countries), cutting back on state spending, 6 billion guilders WIR [Investment Accounting Law] premium, extra money for renovation. All of these are things that are largely due to the policy of Jan Terlouw, minister of economic affairs, but which I support and for which I am trying to provide a framework, because the cooperation of the wage-earners is indispensable for them. All of this has to do with plant management, a say in investment decisions, and the like.

Look, in the trade union movement they say: What good are all those WIR premiums, what good are all those technological renovations that only lead to throwing more people out of work? Money thrown away. Conversely, in employer circles they say: What good is such an employment plan, "that gingerbreadery," in the words of the outgoing Mr Crijns of the VNO [Association of Dutch Employers], which costs money and attention and keeps us from the goal of achieving a profitable economy again.

The two views are opposed to each other and are completely one-sided and wrong. Just as the trade union movement and the employers must realize that you have to keep pace in the competitive struggle, that the Netherlands must enlarge some part of its export quota to compensate immediately for its declining natural gas revenues, just as the trade union movement must realize that on the domestic market a bit of the lost sales must be regained by cost control (including the increase in social security and welfare benefits)--think of the furniture industry--the employers must also learn to understand that however noble and desirable the modernization of industry is, that alone is completely insufficient to give anything like an adequate answer to the question of jobs in the 1980's.

I am on that plane of intersection where I try to awaken the understanding that such a double-track policy can offer the only solution, carried out in close mutual adherence. I encounter enormous opposition on both sides. That basically has its origin in the fact that each condemns the one-sidedness of the other. And rightly so. It is a matter of joining the two blades of the shears. That employment is nothing but a way of making visible how the shears are cutting.

[Question] For the time being it is mainly you that those two blades of the shears have got between them.

[Answer] You may put it that way.

[Question] Do you think that by making your health insurance proposals impossible the trade union movement itself will bring about the uncoupling of minimum wages and minimum benefits?

[Answer] No, I will not put the blame for the uncoupling--for which I will not take the responsibility myself--on the trade union movement. There are entirely different powers and forces that are headed that way. Anyway, in the party council Monday [11 January] we had an excellent objective discussion on that question which led to an understandable, realistic position.

.....

Den Uyl points out that he has not gone nearly so far as the official reconsideration reports from which the health insurance law regulations were taken proposed. But, "If an acceptable alternative to intervening in the collective labor agreements can be found, I will be a happy man. I understand that such an intervention strikes every trade union man in the heart, and it leaves me cold, too, but I am obligated to consider things in context.

"It is with the greatest concern that I look at the employers' 'employment plan,' as Van Veen presented it: abolishing inflation adjustment to wages, uncoupling, and 3 billion guilders' worth of extra cutbacks on social security and welfare benefits. That is in its purest form the thought that only one thing is needed: relief for trade and industry. There lies a fundamental difference of insight. We can bridge that over for a while. Perhaps we can cook up compromise formulas for it, but if that remains the dominant idea, I can see very difficult times in prospect. At least in the cooperation with the organizations."

[Question] Are the reactions to a first economy measure by this cabinet a herald of what is still to come?

[Answer] Oh, no; there was a very raw climate surrounding the gasoline rationing in February 1974. We even had a strike by truck drivers at that time.

[Question] But is this only the first round? Is it not true that 5 billion guilders must be saved right away?

[Answer] Oh, no, that is just talk. But there is reason to take a good look at the problems of cutbacks and employment both for the short and for the long term. Prof Schouten of Tilburg, who is certainly no wild leftist, has said: The deficit in public financing must be reduced, but only when the economy picks up. Forced reduction of the financing deficit now would lead to an increase in unemployment. The tax revenues would then decline and the social security and welfare benefits would rise. Such a measure would eat itself up. The Central Planning Bureau has shown with a computer model that has been in use for 2 years that cutbacks of 1.1 billion guilders kept in force for 4 years would lead to an extra 50,000 unemployed.

Cutbacks in social security and welfare payments, which we always thought would lead to the least unemployment, do turn out to lead to unemployment because they are used 100 percent for consumption.

Now that we are looking toward the future, remember that in 1974-1975 unemployment increased from 70,000 to 200,000, then remained stable for 4 years, and again more than doubled in 2 years' time to 475,000. Why did it happen that way? I do not attribute that at all to the Specification policy that was followed. I only say: You see that the Western countries, including the Netherlands, have reached a new dimension in their thinking about unemployment and economics. That means

that you must be prepared to think it all over once more.

[Question] Within the limits of the commitments on reducing the financing deficit that are contained in the coalition agreement?

[Answer] You have to be very careful about that. There are some differences in emphasis in the interpretation of those commitments. And in principle I feel that you must not let go of the coalition agreement, and so I do not do anything about it lightly or trickily. But still, you must consider the whole of your economic policy well once more in the situation in which new phenomena are showing up so clearly.

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Getting out at the royal palace, Den Uyl says: "I am against traditional thinking. I am really trying to regauge all sorts of ideas. Perhaps I may even wind up with what all of us already knew..."

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CSO: 3105/81

## EXPECTED 1982 INDUSTRIAL PERFORMANCE ANALYZED

Madrid ACTUALIDAD ECONOMICA in Spanish 14 Jan 82 pp 52, 53

[Text] Economic forecasts for 1982 are more realistic and tougher than the simple effects of an astrological coincidence. Businessmen have their feet on the ground and hope for a recovery of markets. But the turbulent environment and wishful thinking cannot conceal a year 1982 full of difficulties.

Wisse Dekker, the new president of the Dutch giant Philips since the first day of 1982, has just put it this way: "Europe desperately needs a common industrial policy." This is the maxim for cooperation with which European businessmen want to nudge their entrepreneurial vessels on the 1982 economic ocean. While all Spanish and foreign observers do not hesitate to say that 1981 was a year to forget, from the economic viewpoint, the 12 months now beginning for the economy are neither less aggressive, nor easier to get through, although shared troubles may seem less serious.

The fact is that 1982 and the years to come can certainly be described by what Peter Drucker calls "turbulent times," times which are beyond any planning, times of temporary equilibriums, times of permanent change in the environment, times when businessmen must rely to the utmost on their management capacity to make sure that the enterprises remain afloat.

This year is marked by hope among all industrial sectors. The electronics industry is confident that it will continue to be a growing sector; the steel industry hopes to solve some of its chronic problems; the aircraft industry wants to boost its profits; the energy industry has faith in price stability; the chemical industry believes that the months of disaster are over and the auto industry anticipates a pickup in the demand. But this hope is mixed with fear and all of these activities will not be free of the kind of turbulence that threatens to destroy--and in many cases will destroy--the path charted initially.

#### Electronics Industry Continues to Grow

Businessmen in the electronics industry are confident that the tremendous growth in recent years will continue in 1982 although it is necessary to accentuate the weight of European industry in an activity dominated by United States and Japanese industry. According to the estimates presented by the president of Philips, the domestic

electronics industry is a growing segment: "When the audio and video markets reach their saturation point, a large number of new problems will come up. Video recorders, video discs, and video cameras will change the traditional role of the television set."

In 1981, the world market for integrated circuits and electronic components came to a total of \$13,777 million. Estimates for 1982 place the consumption volume at about \$15 billions. According to Wisse Dekker, personal computers and computers in small businesses will be used to a greater extent while "computers and video screens can constitute the essence of a system for processing newspaper pages, documents, catalogs, and bank balance sheets."

Another phenomenon, which according to the president of Philips will receive impetus in 1982, is the integration of telecommunications and data processing. The growth of automation in offices is beginning to create new requirements, such as the word processor, new telex machines, or digital operating equipment. The ever closer relationship between communications and information science has forced companies in both of these sectors to buy companies that complement their activities.

### Three Problems in the Steel Industry

The surplus capacity of the European steel industry and prices with which the sector is operating are the major concerns for 1982. In Spain, the end of 1981 pointed toward the reorganization of the entire steel industry--approved in May--with the allocation of funds in the amount of 38 billion pesetas.

According to Ian MacGregor, president of British Steel, it is necessary to step up controls on dumping, one of the evils in this sector engaged in by a large number of enterprises with the purpose of surviving. The second problem consists of prices: "It is absolutely necessary for the European steel industry to improve its price structure unless it wants to continue to be a drain on the national treasury; but we will not impose prices that will place European manufacturers at a disadvantage as compared to those in the United States and Japan."

Reorganization is the third problem which steel companies must face. The government of the EEC decided that 1985 is the final deadline for granting subsidies to the steel industry; this necessarily signifies a new distribution of production to restore normal market conditions.

### Chemical Industry Recovering

The last 18 months has been disastrous for the European petrochemical industry and 1982 will be a tough year especially due to the aggressive tactics of the United States companies which operate in this sector and which are grabbing markets in Latin America and the Far East.

The surplus output capacity of the European petrochemical industry continues to be the main problem and it is estimated that a reduction of between 20 and 25 percent will be necessary. Indeed, during the last months of 1981 already, enterprises such

as BASF [Baden Aniline and Soda Factory], Montedison, and ICI reduced their output figures by about half a million tons. This tendency will alleviate the situation in 1982 and experts are confident of greater recovery in 1983.

Following the establishment of the INH in Spain to coordinate government petrochemical policy, 1982 will be the year of coordination of strategies between private enterprises operating in the sector. Important progress was made throughout 1981 in the unification of purchases of petroleum from abroad and this year more specific points of cooperation will be established in the product output and sales areas on the domestic market. One cannot rule out the possibility that, during the next several months, some of the big private petrochemical companies might complete the reorganization programs which they have been carrying out for some time in order to seek a less diversified business model with more vertical integration.

#### Aircraft: Penury to Continue

According to the estimates of the IATA, the panorama for 1982 is rather somber: passenger traffic will grow about 5 percent--compared to 3 percent in 1981--but the financial situations of the companies will remain precarious. A rough calculation yields a figure of between \$900 million and \$1 billion for the combined losses of the IATA companies in their operations, a figure which might rise to \$2 billion if we include the financing expenditures of the companies.

Forecasts for 1982 indicate that the operating deficit on international airlines for all of the IATA companies will come to \$1.15 billion. Knut Hammarskjold, IATA director-general, pointed out that "the companies must limit the increase in the supply of seats because, so long as the worldwide economic depression continues, traffic will be heavily hit."

For Spain, in 1982, the Iberia Company expects to reduce its deficit from the last fiscal year--almost 6.7 billion pesetas--by means of some strategic actions aimed at yielding a portion of its domestic flights and reducing organizational costs.

#### Auto Price War

The European auto industry is facing big problems in 1982 especially because of the unforeseeable development of the demand and the market. Vittorio Guidella, general manager of the FIAT auto division, noted that the price war between the various makes "could heat up in 1982."

Directly related to this price war are the questions as to what the Japanese auto-makers will do; throughout 1981, they stepped up the pressure which they exerted on the markets of the various European countries. For Vittorio Guidella it is possible that the Japanese--by coming out with new models--might increase the aggressiveness of their trade policy once again. The new models worry the European industry which has hardly anything new for 1982 although it is rapidly working on projects that will take shape in 1983.

The Spanish auto industry is looking forward to this new fiscal year with concern. The dramatic drop in the 1981 demand could continue although the slight recovery

during the last quarter of the last year does encourage some hope. Two manufacturers --Renault and Ford--go into 1982 with profits while another two--SEAT [Spanish Passenger Car Company, Inc] and Talbot--recorded heavy losses. However, SEAT president Juan Miguel Antonanzas does not conceal his optimism in maintaining that his company in 1982 "will gain between 3 and 4 points on the market which the other makes will have to lose." During the next several months, SEAT will come out with new versions of the four models which it makes at this time; in this way it is hoped that it will be able to increase the range of models offered and thus better satisfy the consumer's demand.

This strategy will not prevent SEAT from once again in 1982 closing out the fiscal year in the red, in other words, down 20.5 billion in 1980, just like Talbot with a loss of 4.8 billion in 1980, since the new price increases and the effects of the crisis on the consumer's pocketbook are not exactly incentives that help the demand.

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## SUBSTANTIAL OBSTACLES TO ENTRY IN EC OUTLINED

Madrid EL PAIS in Spanish 24 Jan 82 p 48

[Article by Soledad Gallego-Diaz: "Real Economic Negotiations Between Spain and EEC Will Start in March"]

[Text] The end of March and the beginning of April can be decisive dates in negotiations between Spain and the European Common Market; real negotiations will start on 22 March, in the course of a meeting of ministers, regarding the six specific chapters, with positions adopted both by Spain and by the EEC regarding the duration of the period of transition and any temporary repeals.

On 31 March--if the problem of the British contribution to the Community's budget is immediately solved--the Commission will have had to propose the practical translation, in terms of regulations, of the reforms to be introduced into the Mediterranean farm policy of the Ten. If this deadline is met, the agricultural chapter of negotiations between Spain and the EEC can get moving again, if not in terms of basic essence then at least in terms of form.

The possibility of signing the membership treaty by the end of the year--something which the Madrid government ardently desires not only for economic reasons but also for election reasons--hangs from a rather slim string: all of the prior conditions must be met. "That is possible," the experts of the European Commission say officially. "This is very desirable," notes the European Parliament. "This is desirable and possible," the Spanish Government keeps explaining. "It will be very difficult and it calls for entirely too many internal solutions in the EEC," say the spokesmen of some national delegations, including the French delegation.

#### Agriculture and Fishing

The moment seems proper for reviewing the development and current status of negotiations for Spain's entry into the Common Market, negotiations which began back in 1979, without any great content and with two complete taboos: agriculture and fishing. A rapid reading of the 71 documents or declarations presented by Spain in relation to the 16 chapters covered by the negotiations and the 44 Community documents indicates that the postures are very far apart in cases where there is at least a broad overall vision. In other cases, such as in agriculture and fishing,

for example, there have been no negotiations so far, neither off in the distance, nor near at hand.

The latest events--visit by Prime Minister Leopoldo Calvo Sotelo to Brussels; visit by Foreign Minister Jose Pedro Perez-Llorca to Paris--seem to indicate that the Madrid government plans by all means to get the situation moving again--not just in words only--before the general elections scheduled for 1983 (or the end of this year) plus at least a certain opening before public opinion prior to the time Spain joins the ranks of the Atlantic Alliance. It remains for us to find out whether the political determination of the Calvo Sotelo administration, to speed up the way toward the Ten, also presupposes a certain sweetening of Spain's negotiating position.

The risk of Greek-style negotiations--removing difficulties through the pure and simple acceptance of what the member countries want--always hangs over the conference table. Perhaps even more so since the Portuguese Government managed to wrest from France a very positive declaration and since Lisbon has decided to form a bilateral commission with Paris in order to smooth its own way toward the EEC.

#### Main Problems

What are the main problems in negotiations between Spain and the Community? For the time being we can say that they are countless. And that includes the six chapters on which theoretically everything has already been said. The following subjects will be taken up by the cabinet next month.

##### 1. Capital transactions

There is already basic agreement to the effect that Spain will be able to get the benefit of a temporary postponement before certain Spanish investments are freely permitted in EEC countries (including portfolio investments). But the duration of that specific transition period remains to be determined.

##### 2. Harmonization of legislation

This real "odds and ends" package contains more problems than might appear to be contained there. For example, Spain calls for temporary repeals of Community legislation on four major points:

(a) Lead content of gasoline. The EEC has levels which are very much lower than those required in Spain; this means that several Spanish refineries would have to modify their refining systems and that would call for investments.

(b) Patents. This basically effects the chemical and pharmaceutical industry. So far, Spain allows what is called a "method patent," that is to say, a laboratory can patent a product which already exists but which "it has arrived at through a different method." The EEC strictly prohibits this sort of thing on the basis of the Munich Convention--which Spain did not sign at the time--and the Luxembourg Accord signed by the Ten, although it is not yet in force due to the lack of ratification by three countries (for reasons different from those of Spain).

(c) Chocolate. The EEC does not allow flour to be included in the manufacture of ordinary chocolate, as happens in Spain. Madrid calls for a period of transition at least regarding the chocolate that is consumed in Spain. In other words, the flour would not be used for export products.

(d) Marmalade. The Community list differs from the Spanish list and this means that Spanish manufacturers will have to change their current containers and labels.

### 3. Regional policy

Spain maintains that it must benefit from regional policy the moment it joins, without any period of transition. Theoretically, the percentage of Spanish participation in the funds and the limitation of the territory which can benefit from those funds (Madrid says that this should cover the entire country) would have to be negotiated after the signing of the treaty but the Community does not seem very much inclined to let that go.

### 4. Transportation

Once again it is Spain that asks for a repeal of Community legislation on two points: the installation of the tachygraph (an instrument that prevents trucks from rolling without interruption for more than a certain number of hours) and the regulation of casual, irregular passenger transportation.

### 5. Freedom to establish and provide services

The Spanish negotiators want a specific period of transition before permitting the free establishment of foreign enterprises dealing with the nonbasic chemical industry as well as with the information and electronics industries. Impossible, says the EEC. This field is entirely too vast: explain exactly what aspects of the information industry and the electronics industry would require this kind of special treatment. More disagreement: Spain wants to invoke, far beyond 1989--the date accepted by the Ten--the criterion of economic necessity in order to control the establishment of foreign banks as well as their authorization to obtain outside funds. Nor should Community legislation be applied regarding auto insurance because that would mean increasing the compensation payment but also the premiums to a very high level. In the EEC, there are British doubts as to whether the Spanish procedure for licensing medical and veterinary technician aides is up to the Community's standards. If not, neither of those could work in the Community.

### 6. Economy and finances

Spain accepts the European monetary system but reserves itself the right to select the methods and dates for implementation, just like Greece or the United Kingdom. The peseta is to be pegged in relation to the European Unit of Account (EUA).

#### Tremendous Differences

These are the chapters on which positions are closest--although it may not seem so. The remaining ten either are as yet untouched or the differences in viewpoints are overwhelming. For example, a very fundamental point involves the customs union.

The period of transition, says Spain, for us to open our borders to European industrial products must be the same--a single period--as the one that applies to the opening of European borders to Spanish agricultural products. Except of course for some specific cases.

The specific cases for the time being include the value added tax (VAT) which the EEC demands as of the day Spain joins and which Spain ties to the overall development of negotiations (the Spanish association of manufacturers is asking for a period of transition or, if not, compensation in terms of social security). Spain will also have to submit a list of "quantitative restrictions on imports from the EEC" during the period of transition. Although this is not known as yet, one may assume that it will be similar to the figure currently contained in the preferential accord of 1970, with some modifications; but it will not be broader; instead, it will be smaller. The Community, for its part, demands a restriction on Spanish textile exports, like the restriction it seeks to impose on Portugal.

Nor is there any agreement as to the application of basic duties: the EEC asks that this be made effective as of the signing of the treaty while Madrid says that this should happen 6 months after the treaty has taken effect. Here is another point of disagreement: free-style operations, degree of nationalization (this is important in the construction of nuclear power plants; according to Madrid, imports from certain third countries, which will have to continue to be exempt from import duties, are pending). In conclusion, the EEC demands that monopolies be eliminated (CAMPESA [Leasing Company of the Petroleum Monopoly, Inc] and Tabacalera) and that the system for the Canary Islands, Ceuta, and Melilla be clarified.

But that is not the end of the difficulties. Apart from the always difficult agricultural chapter, negotiations must also be conducted regarding EURATOM, foreign relations, social taxation, fishing, in-house and institutional funds.

As for the first point, it is known that Spain did not sign the Nuclear Nonproliferation Treaty in spite of the fact that it does not have any atomic weapons of its own. If it does not ratify that treaty, as the EEC wants, there would be problems regarding the supply of certain products and participation in some Community research programs.

#### Foreign Relations

The chapter of foreign relations is especially complex; it has already been the subject of 10 Spanish declarations and four Community declarations without positions having moved essentially any closer to each other. Here we have problems of applying the generalized system of preferences which the EEC grants regarding many problems of the countries of Africa, the Arab countries, and Israel. For example, Spain would be obligated to get its sugar (in fixed quantities) from countries that are members of the Lome Convention with all that this would imply regarding trade with Cuba or efforts to supply itself. The social chapter is also thorny. Spain asks that there be no period of transition before Spanish workers can go to the countries of the Community. There will be a period of transition--says the EEC--no shorter than in the earlier cases (7 years in the Greek case).

It will also be necessary to work out a solution (tied to the institution of the VAT) to the problem of the Spanish contribution to the EEC budget. Theoretically,

once Spain is a full-fledged member, it will be a beneficiary country of the Community but during the transition period there is the risk--more than probable--that Spain might become a net contributor which is a perverse situation according to the Spaniards. The solution probably would follow the Greek example (regressive refunds during said period of time).

In spite of everything, according to Spanish spokesmen, the situation would permit the signing of the treaty by the end of the year if--something which still looks very difficult--we manage to start discussing agriculture and fishing as of March. If this should happen and if the Spanish position is held firmly--within the logical limits of negotiation--both sides would during the second half (by the end) find themselves facing scores of problems without solutions but interrelated. Once again, the Greek risk would be present during the long hours of discussion. But if negotiations do not get going in March or April, then we will have to forget the date of 1984 as D-Day for Spain's joining the EEC and we will have to start thinking in terms of 1985-1986.

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## UGT SECRETARY GENERAL SATISFIED WITH ANE

Madrid GACETA SINDICAL in Spanish Nov-Dec 81 pp 4, 5

[Article by UGT Secretary General Nicolas Redondo]

[Text] GACETA SINDICAL has asked Nicolas Redondo for his views, and we are pleased to publish for the first time an article by the UGT [General Union of Workers] secretary general, in which, as our readers will see, he outlines the underlying political and economic reasons for the ANE [National Employment Agreement].

The National Employment Agreement is a basic tool for beginning to resolve some of the economic problems besetting us, mainly unemployment.

The UGT's signing of the ANE was another step along the union path that we charted since the first Framework Collective Bargaining Agreement (AMI) within the context of the responsible union activities in whcih we have engaged since the democratic labor unions were legalized.

The UGT wants to extend its labor union activities to all workers and aspires to develop a labor movement for all. Therefore, our concern over the economic crisis and over the widespread unemployment in Spain, as well as our clear awareness that we have to formulate a policy of solidarity between those who have work and those who do not, led us, after the revision of the AMI in January 1981, to issue a public appeal to the country's social forces, an appeal that gave rise to a series of meetings among the parties involved (unions, government, employers) to seek solutions to the grave situation that beset and still besets us. The ANE emerged from these meetings.

We in the UGT approached the initial talks with some degree of pessimism, but we were absolutely convinced that an agreement was indispensable. Our fundamental objectives at the bargaining table were:

- a) To halt the drop in employment and to spur the creation of new jobs;
- b) To broaden unemployment coverage;
- c) To help consolidate our threatened democracy.

The contents of the ANE are fully satisfactory to the members of the UGT and beneficial to the working class as a whole. Perhaps the main reason is because it expresses the solidarity of those who have jobs towards the

unemployed, through the acceptance of a series of sacrifices (among them, negotiating the 1982 collective bargaining agreements within the range of 9 to 11 percent, which is 2 points below the rise in the consumer price index).

In spite of the ongoing efforts of the workers and the clear-cut determination shown by the UGT and CCOO [Workers Commissions] to comply with each and every section of the agreement, the government and the CEOE [Spanish Confederation of Business Organizations] seem unwilling to fulfill faithfully and without reservations the commitments they made.

We can see the stand that the administration took during parliamentary debate on the General State Budgets, whose final shape will represent a heavy burden when the time comes to attain the agreed upon objective of creating jobs. The hesitant attitude on the part of the administration, which has yielded to the pressures of the major employers association, shows a lack of authority that puts the petty interests of the Right before a coordinated solution to the crisis. For its part, the CEOE has maintained an obstructionist, destabilizing stand by using the ANE as a political tool (to facilitate the "broad Right" operation), by engaging in irresponsible action to break up Spanish society and hamper the political, economic, industrial and labor solutions that the agreement has made possible.

Therefore, we workers must see to it with every means at our disposal that the ANE is strictly complied with. Let no one think that the labor unions are going to accept wage sacrifices if the matching measures that justify and compensate for these sacrifices are not truly observed. Noncompliance by any of the cosigners (the administration and/or the CEOE) would constitute a unilateral violation of the agreement that would force the unions to respond appropriately.

Compliance with the ANE is a political necessity (consolidation of our democracy) and a socioeconomic necessity (maintaining job levels and unemployment coverage), as well as an important step towards economic recovery. It demands firmness, seriousness and responsibility from all citizens, especially the parties that signed it, because it represents a service to Spanish society as a whole and a united contribution by the workers to overcoming the crisis and to making the State more governable.

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CSO: 3110/69

## CAMACHO: LABOR UNITY ESSENTIAL TO ANE

Madrid GACETA SINDICAL in Spanish Nov-Dec 81 pp 6, 7

[Article by Marcelino Camacho: "ANE, New Technologies, Participation"]

[Text] We must never forget that the ANE [National Employment Agreement] is not just a 1-year agreement aimed mainly against unemployment and at achieving full employment; it is the first element in our strategy in this field, a strategy that the First Congress termed a "National Solidarity Plan Against Unemployment and for Full Employment," which, in turn, will inevitably lead to greater participation for unions in social and economic life and, therefore, to the consolidation and bolstering of our democracy.

## AMI [Framework Collective Bargaining Agreement] and ANE

With no intention of starting an argument, we should take a look at the differences between the AMI and the ANE, though both contain wage spreads and the AMI even provides for a 50-hour a year reduction in 1982, which could help create jobs. The AMI is basically an 11 to 15 percent wage spread, with inflation estimated at 15.6 percent. It could also mean 50 fewer hours of work in 1982 if we now force the employers, who are resisting, to comply with this provision. Our comrades in the UGT [General Union of Workers] planned to use these agreements to broaden their influence and take over as the number one union in the 1980/1981 union elections.

## The Objectives of the CEOE [Spanish Confederation of Business Organizations] and the AMI

These objectives were to keep wage increases below the rise in the cost of living index, in other words to reduce purchasing power, to resist reciprocal measures and to bolster its class positions. The CEOE was also seeking to weaken the CCOO [Workers Commissions], which it continues to regard as its main enemy; to put distance or, at times, to promote a war between the UGT and the CCOO, and at the same time, to weaken the two unions in relation to the workers, society, the administration and our institutions. The AMI has not succeeded in dampening the rise in unemployment; on the contrary, it rose by 350,000 in 1980 and by 127,800 during the first half of 1981. Let each person judge for himself in light of these results.

The National Employment Agreement also includes a wage spread of 9 to 11 percent with an inflation forecast of 12 percent and provision for a 6-month revision, like the AMI, if the index should go higher. Although not spelled out, the objective, as underscored in the joint UGT-CCOO communique at the 18 December demonstration, is a 1,880-hour work year, a demand already met in the iron and steel industry, in shipbuilding, in ENASA, in FEMSA-Roberto Bosch and in other companies under recent agreements.

In addition to this wage spread, the ANE's main point is the pledge to create 350,000 jobs, so that the employment level is the same at the end of 1982 as when the pact was signed. Unemployment benefits are increased, and further large allocations are ordered, including 15 million for groups of jobless workers not previously covered by the law. The extension of the medical card to the unemployed has already had a widespread impact. In Las Palmas, Canary Islands alone, 16,000 more medical cards have been issued and 8,000 more subsidies have been authorized pursuant to these agreements.

The ANE already represents a radical change in relations between the UGT and the CCOO, which have shifted from confrontation to almost total unity. The ANE also represents a major step forward in consolidating the unions and in boosting union power, on the one hand, with the start of the return of assets and, on the other, with their input in institutes, in debate on major budget items, in frequent talks with ministers and government agencies in implementing the agreements.

In short, the participation of the workers has increased through their representative unions UGT and CCOO.

Naturally, the top echelon of the employers association, which was against the ANE before, during and after its signing, continues to place obstacles in the way of its enforcement. This confirms our view that first of all we have to hammer out the agreements, then defend them and in some instances use every constitutional means to enforce them.

The new administration, mounting unemployment and the difficulties that we can all see in implementing the pacts are the reasons why the CCOO and the UGT are determined to comply with and enforce them, and hence the unified rally on 18 December.

According to the National Statistics Institute, unemployment reached 1,877,800 at the close of the third quarter, 14.57 percent of the labor force and up 94,000 from June.

The administration's economic vice president, Juan Antonio Garcia Diez, a signer of the ANE, has stated (see EL PAIS, 3 December 1981): "The current administration's economic team intends to be more aggressive with regard to the ANE and to see to it that it is complied with, as long as no outside catastrophe prevents this. This means, of course, that by the end of 1982 the overall employment level must be the same as when the agreement was signed." Constructive comments, but inadequate if not followed up by specific action.

The ANE is one of the most important elements in the economic process and to a large extent conditions political developments. The CEOE's hostility towards the ANE and this policy of solidarity and even towards the administration's economic team goes beyond wage problems; it is hostility towards a process that is consolidating our democracy, furthering the participation of unions in economic and social matters and bolstering freedoms in this regard.

We realize the difficulties that we are going to confront, because a policy of solidarity inexorably leads to the unity of our class, both as a group and labor union-wise, to the unity of society in coping with the crisis, while furthering and consolidating our democracy. This is not just an economic and social pact; it is a qualitatively new agreement that inexorably leads to others. Hence, this policy of solidarity comes into conflict with the savage overhauling that the employers have initiated company by company and that is now continuing sector by sector. We realize perfectly well that even if we wanted to, we could not resolve these contradictions solely through dialogue and that they must give rise to large unified worker rallies.

#### Four-Year Cooperation Plan

It has become increasingly clear during this new phase that in order to guarantee job security, the country needs to preserve and develop its national economic space and to penetrate foreign markets, even given the growing international division of labor. To accomplish this, a more efficient, more national and more participatory economy is needed. This could clash openly with the politically and economically short-sighted and feeble approach of major employers who are obsessed with paring back payrolls and thus momentarily obtaining an easy margin of safety, instead of boldly and thoroughly undertaking technological renovation, a bid for competitiveness and ambitious plans and providing for the union's necessary input in them. This selfish, narrow-minded approach by the employers has led to logical reactions by the workers, who are defending their jobs tooth and nail and turning each company into a bunker as long as their jobs and the bread on their tables are not guaranteed. The employers' stand is selfish and short-sighted. This is the only stand that the workers can take, and it is unquestionably a human one. Both stands are, however, defensive and if a longer-term solution is not forthcoming, they will soon lead to business shutdowns, a loss of jobs and the ruin of our country, which can maintain and develop its national and international economic status only on the basis of new technologies that will make us competitive price- and quality-wise in an open and difficult market.

The time has come for a 4-year revamping program leading to the introduction of new technologies, with all of the consequences that this might entail in terms of productivity, mobility, recycling, ongoing professional training and union input in their control. This higher productivity would mean fewer work hours so that we could all have jobs and eat.

This policy of solidarity, which is the only solution for a country with two million people unemployed and in the midst of a emergency, requires the cooperation of all progressive forces, as well as the consolidation and development of our democracy. Solidarity to combat joblessness and new technologies to combat the crisis are possible only through greater participation by the workers and their representative unions in drafting this plan and monitoring its execution.

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## ANE TIMETABLE SUMMARIZED

Madrid GACETA SINDICAL in Spanish Nov-Dec 81 pp 8-10

[Text] ANE [National Employment Agreement] Timetable

Now that 6 months have passed since the ANE was signed, we should take an overall look at how it has been observed and carried out.

Although some of the basic points in the ANE are not going to be fully implemented until 1 January and although, in short, we will not be able to do a detailed, accurate assessment of the degree to which the ANE has been observed until late next year, there are numerous aspects of the agreement that are now being put into practice and that, taken as a whole, are of obvious importance.

We can draw several conclusions from a reading of the assessment done by the Confederated Secretariat of Political and Unitary Relations:

--In general, getting the ANE to be strictly and constructively enforced has not been easy so far. It has necessitated continual pressure, protest and negotiation in order to overcome, in many cases, the reluctance of the administration (which advocates a half-hearted observance of the ANE) and the clear-cut opposition of the CEOE [Spanish Confederation of Business Organizations], which does not advocate a negotiated solution to the crisis.

--As a result of the above, we can say that overall a constructive interpretation of the ANE has prevailed, although we should recall that we have not yet gotten into decisive, fundamental issues.

--The workers as a group and the unions as organizations are somewhat unfamiliar with how the ANE has been specifically enforced so far, and this is something that we must overcome as soon as possible.

Our ultimate conclusion is that as the CCOO [Workers Commissions], the UGT [General Union of Workers] and the workers as a whole become familiar with, take charge of and firmly defend the ANE, the degree to which it is observed will be greater.

We are offering this assessment for information purposes and as an element of struggle to keep our constant attention and pressures focused on the ANE in order to get the administration and the CEOE to agree to negotiations that constructively develop and observe this agreement.

### 1.III-7. Interprofessional Minimum Wage

- a) Effective date: 9 July 1981
- b) Observance: R.D. [Royal Decree] 1,326/81 of 19 June 1981; BOE [Official State Gazette] 8 July 1981.
- c) Comment: In general, the decree conforms to the usual model of legally regulating the minimum wage based on the ET Law.

### 2.III-5. Medical-Pharmaceutical Benefits

- a) Effective date: 9 July 1981
- b) Observance: Instructions from the General Directorate of the INEM, 9 July 1981.
- c) Comment: This is, in general, in keeping with what was agreed on in the ANE. The petition deadline was extended to 31 December 1981 by resolution of the Followup Committee.

### 3.VI-2.a. INE Regulations

- a) Effective date: 9 July 1981
- b) Observance: Order from the Ministry of Labor, Health and Social Security on 8 July 1981; BOE, 9 July 1981.
- c) Comment: Conforms to what the parties agreed to.

### Unemployment Insurance for Permanent Farm Workers

- a) Effective date: No specific date
- b) Observance: RD 1469/1981 of 19 June; BOE, 21 July 1981
- c) Comment: Unsatisfactory, although it does, in general, conform to the LBE and what the parties negotiated.

### 5.VII-1. Employment Regulation

- a) Effective date: No specific dates
- b) Observance: Labor Ministry instructions of 20 June 1981; BOE, 27 June 1981.
- c) Comment: Not at all in keeping with what was negotiated in the ANE. This has been dealt with at several meetings of the Followup Committee. A Four-Part Committee has been set up to try to reach an agreement on modifying these instructions, but the parties have not narrowed their differences at all.

### 6.VII-2. Progress in the Workers Statute

- a) Effective date: No specific date
- b) Observance: RD 1,361/1981 of 3 July 1981, training and apprenticeship work; RD 1,362/1981 of 3 July 1981, part-time work; RD 1,363/1981 of 3 July 1981, temporary hiring; RD 1,364/1981 of 3 July 1981, jobs promotion in certain groups; all of them in BOE, 11 July 1981.
- c) Comment: The decrees on training and apprenticeship work and jobs promotion have been, in general, satisfactory. There are objections to the ones on part-time work and temporary hiring. We have been shown a draft ministerial

order that expands on part-time hiring; it contains some very negative aspects, and we have suggested numerous changes.

#### 7.III-4. Farm Workers Census

- a) Effective date: No specific dates
- b) Observance: The censuses are being conducted at the provincial level.

#### 8.III-8. Proper Supply of Jobs

- a) Effective date: 9 August 1981
- b) Observance: There have been agreements on a provisional approach in spite of the initial attempts to restrict the interpretation of Social Security contributions categories and their internal mobility. Discussion and negotiation has not yet begun on the final definition of new professional groups in the INEM.

#### 9.IV-3. System of Contractually Agreed Retirement

- a) Effective date: 9 August 1981
- b) Observance: RDL 14/1981 of 20 August 1981, BOE, 29 August 1981. A decree expanding on the retirement system (RD 2,705/1981 of 19 October 1981) was published in BOE, 20 November 1981.
- c) Comment: We have been consulted and have submitted a report in this regard. In general, it conforms to what was agreed upon in the ANE.

#### 10.IV-4. Overtime Pay

- a) Effective date: No specific dates
- b) Observance: Labor Ministry RD of 20 August 1981; BOE, 29 August 1981. We were consulted and submitted a report in this regard. In general, it conforms to what was agreed upon in the ANE.

#### 11.V-1. Regulatory Bases for Pensions

- a) Effective date: No specific dates
- b) Observance: RDL 13.81 of 20 August 1981; BOE, 29 August 1981.
- c) Comment: We have been consulted and submitted a report on the matter. In general, it conforms to what was agreed upon in the ANE.

#### 12.V-2. Institutional Presence of Social Security

- a) Effective date: 9 August 1981
- b) Observance: A rough draft has been put together with points of agreement and others temporarily set aside; it is awaiting discussion and final approval in the Followup Committee.

#### 13.VI-2. a) Startup of Union Participation in the Already Established Institutions

- a) Effective date: 9 August 1981

b) Observance: A different situation in each institute: INEM (practically complied with), INSS, INSERSO and INSALUD: at the expense of what is negotiated in connection with Section V.2a) of the ANE (previous section).

There is agreement on the issue of the Provincial Executive Committees, which are going to start up in December. There are disagreements as to the functions of the Governing Councils and the State Executive Committees.

IMAC [Institute of Mediation, Arbitration and Conciliation]. The State Executive Committee and the Governing Council have been set up and are functioning normally. The parties have approved the draft bylaws. The Provincial Executive Committees are beginning to be set up.

ISTL. After a year and a half of no progress, the Governing Council has been set up. Draft bylaws have been approved, although there are still points of disagreement, which will be brought up for discussion in the Followup Committee.

#### 14.III-1. Complementary Unemployment Allowance

a) Effective date: 9 August 1981

b) Observance: The INEM issued instructions dated 20 August 1981 and containing the decision reached by the Followup Committee and in accordance with the terms put forth by the unions.

#### 15.VI-2b) Institutional Participation in Other Institutes

a) Effective date: 9 September 1981

b) Observance: Labor Ministry RD 1,414/1981 of 3 July was published on 16 July 1981. It restructures the Navy Social Institute so that the unions sit in its leadership bodies, although we have several objections in this regard. We have been sent a royal decree authorizing union participation on the Higher Price Board. We feel that it is inadequate and have submitted appropriate modifications.

The decision has been made that the unions will participate in the Wage Guarantee Fund through the IMAC structures.

Lastly, a draft decree-law to set up the Institute of Safety and Hygiene on the Job is pending submission for our consideration.

#### 16.III-2.A. Special Measures to Protect the Unemployed

a) Effective date: 1 January 1982 (though this is not an explicit ANE deadline)

b) Observance: In October we were sent a draft ministerial order regulating the use of the fund, regulations for fund operations and a draft RDL creating the fund.

Although there are no serious objections to them, the two latter drafts have been temporarily set aside until agreement is reached on the basic draft,

which is the ministerial order regulating the use of the fund. Our proposals on this issue are quite similar to those of the UGT and the administration, but not the CEOE's. Discussion will begin after the parties propose their modifications.

The INEM has just appointed the chairman of the Fund Administration Council, and from this point on the council will function formally as the fund administrator and monitor.

#### 17.III-2.b. Special Measures to Protect the Unemployed

- a) Effective date: No specific date
- b) Observance: RD 2,345/81 of 4 September 1981; BOE, 21 October 1981 on complementary unemployment benefits
- c) Comments: This has been one of the most strenuously negotiated laws and one in which we have introduced substantial improvements; thus, our assessment is clearly positive.

#### 18.II.4. Salaries of Officials and Nonlabor Personnel

##### II.6. Social Security Pensions

- a) Effective date: 1 January 1982
- b) Observance: Contained in the State and Social Security budgets.

#### 19.II.7. Review of Interprofessional Minimum Wage

- a) Effective date: 1 January 1982
- b) Observance: The CCOO's CS has proposed that review criteria be established at an upcoming special meeting of the Followup Committee.

#### 20.III.1. Family Responsibilities for the Purpose of Receiving the Complementary Unemployment Allowance

- a) Effective date: No specific dates in the ANE
- b) Observance: Although it is pending publication in the BOE, there is a draft ministerial order that has been submitted for consideration and in which the changes proposed by the unions have been introduced.

#### 21.III.4. a) c) Community Employment and Protection for the Rural Unemployed

- a) Effective date: The indicated date is 1 January 1982, and it might be enforced.
- b) Observance: The administration has put together a draft reform of the community employment system that will be debated soon in the Interministerial Commission that was set up for this purpose and that has union participation.

#### 22.III.4. d) Funds Allocated for Community Employment

- a) Effective date: 1 January 1982, unless there is prior agreement on reforming the current community employment system.

b) Observance: An allocation of 22.4 billion pesetas has been included in the State's budgets.

#### 23.III.6. Combating Fraud Among Unemployment Insurance Recipients

- a) Effective date: No specific date in the ANE
- b) Observance: RD 1,638/1981 of 19 June 1981, BOE, 4 August 1981, on employment monitoring.
- c) Comment: Although obviously not adequate, this conforms to what was agreed upon in the ANE.

#### 24.IV.2. Jobs for Youth

- a) Effective date: No specific date in the ANE
- b) Observance: We have been told in the Followup Committee that the INE and the CEOE are at a quite advanced stage of negotiations to sign a cooperation agreement for apprenticeship and training hiring.

#### 25.IV.6. State Contributions to Financing Social Security

- a) Effective date: 1 January 1982
- b) Observance: The State budgets call for a 350 billion peseta contribution to the financing of Social Security.

#### 26.IV.6. Periodic Payments

- a) Effective date: No specific date in the ANE
- b) Observance: Draft regulations on periodic overtime pay have been submitted for consultation, and we have made a number of observations.

#### 27.V.2. Tripartite Commission for Social Security Reform

- a) Effective date: Proposed, 9 December 1981; agreed, 31 January 1982
- b) Observance: The administration's draft has been delivered to the parties. The commission was created on 9 December 1981, and a work program and timetable have been set up. The CEOE has blocked its startup by demanding that the CCOO, UGT, CEOE and the administration have the same number of representatives. Nevertheless, there are chances for an agreement to put the commission in operation.

#### 28.VI.3. Training Assistance

- a) Effective date: No specific date was set, except on the local level: 1 January 1982.
- b) Observance: A number of meetings have been held recently to reach agreements on conducting training courses and study seminars, although so far no agreements have been concluded.

We have not been informed of the site for union training and we have included this topic on the agenda of the special meeting of the Followup Committee that we have requested.

29.IV.4. Social Institute of Free Time (ISTL)

- a) Effective date: 1 January 1982
- b) Observance: Union utilization of up to 50 percent of the ISTL's residences in 1982 has not been taken up so far.

30.VIII. Followup Committee Bylaws

- a) Effective date: No specific date
- b) Observance: They were approved at the meeting of the Followup Committee on 11 September 1981, although the CEOE later challenged some of them.

31.VIII. Ad Hoc Committee for Monitoring the Public Investment Items Related to Jobs

- a) Effective date: No specific date
- b) Observance: Its establishment is imminent. We have given the names for each party.

Madrid, 30 November 1981

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CSO: 3110/69

**LABOR UNION CRISIS DUE TO DROP IN MEMBERSHIP**

Madrid ACTUALIDAD ECONOMICA in Spanish 14 Jan 82 pp 20-24

[Article by Jose A. Roca: "Economic Crisis and Crisis of Membership"]

[Text] The resounding failure of the demonstrations in support of the ANE and the attempt by the largest unions to introduce an "agreement fee" have highlighted the grave crisis that the Spanish labor movement is in.

Last 18 December, the two largest union organizations, CCOO [Workers Commissions] and UGT [General Union of Workers], staged a series of demonstrations throughout Spain in support of the ANE [National Employment Agreement] and democracy. They were a resounding failure. In Madrid, where the most people showed up, the most optimistic estimates put the number of demonstrators at 5,000, although most sources cited the figure 3,000. The lack of success was similar in Valencia, Seville, Barcelona, Bilbao, Vigo, etc, as between 1,500 and 5,000 demonstrators showed up.

Given the historic importance of the ANE in the framework of labor relations in Spain, the resounding failure of the rallying call once again casts doubt on the representativeness of Spain's unions, their ability to rally their members, and highlights the enormous gap between labor leaders and the rank-and-file and, ultimately, the crisis of membership. Labor leaders have tried to downplay this, however: "When demonstrations are called in support of a specific grievance, the workers will be there en masse, as happened recently with the metalworkers' strike in the Basque Country. When the motive for the demonstration is abstract and general, however, as it was in supporting the ANE, it is tremendously difficult to rally the workers, but we cannot deduce from this that there is a crisis of membership or representativeness," Juan Mazarrasa, an executive of the UGT, told ACTUALIDAD ECONOMICA.

**Union Crisis**

To Manuel Zaguirre, secretary general of the USO [Workers Trade Union], however, the failure of the major unions' rally "is a symptom of the union crisis that the country is going through. After the initial euphoria when the unions were legalized, which created hopes that have not been fulfilled,

Spain's labor unions have been declining steadily from the time that the Moncloa Pacts were signed until the ANE. Workers were promised a lot of things that did not get done, and the outcome of their disillusionment has been to disaffiliate. Membership has declined from 50 percent in the spring of 1978 to 18 percent in December 1981."

The membership crisis is something that no one denies any longer, although all of the unions refuse to acknowledge it publicly. Figures do not lie, however, and even though the numbers that the unions themselves furnish are highly inflated, there can be no question that the nasty "disillusionment index" has wreaked havoc among their ranks. For example, the CCOO acknowledges that in 1978 it had 1,830,000 members, of whom 1,215,000 were dues-paying, and that now it has only 1,412,000, of whom 1,080,000 are dues-paying. These figures are much too high, at least with respect to dues-paying members (the real members), inasmuch as during the year in question (1978) an internal CCOO circular admitted that in the metalworking sector, which is precisely where the unions are most firmly established, the number of dues-paying members barely exceeded 25 percent.

As far as the UGT is concerned, the number of affiliates or workers with membership cards totaled 1.6 million in the spring of 1978, whereas the number of dues-paying members dropped to 800,000 by December 1981, one-third of whom had them withheld from their paychecks. "The membership crisis," Mazarrasa argues, "stems from structural problems in Spanish society, and the solution is long-range. When the unions were legalized in 1977, the working masses got up false hopes about their chances for input in the unions and joined in large numbers. But when they see that all of their hopes are being scuttled and collapsing like a balloon, they feel disillusioned, and this disillusionment has brought on the disaffiliation crisis that we are now suffering from."

But it's not just the other fellow's fault. "The negligent attitude of the unions themselves has also been a factor in the current crisis. The unions did not create false hopes during the time of euphoria, but they did not have the organized infrastructure needed to cope with the one and a half million cards that were handed out at the time. There have been many major organizational shortcomings," Mazarrasa adds.

"The unions' lack of organization led to insufficient channels of participation, which caused the disappointment to be greater, but in any case the workers are partly to blame because to a great extent they are not aware of their economic and membership responsibilities and demand more than the unions can give, without remembering any of their obligations," a spokesman of the communist union told ACTUALIDAD ECONOMICA.

#### USO the Hardest Hit

But while the general climate in the Spanish labor movement is conducive to the disaffiliation trend, the trend has been most pronounced in the USO,

inasmuch as the general crisis was compounded in this union by two major splits: first, the group headed by Jose Maria Zufiaur, which joined the UGT in 1978, and then, immediately before the 1980 union elections, the "self-management" socialist faction headed by Jose Maria Corell, which became part of the CCOO as an "independent faction."

USO, which in its heyday boasted close to a million members, "now has about 350,000 dues-paying members, approximately 60 percent of whom have them withheld from their paychecks or deducted from their bank checking or savings accounts," Manuel Zaguirre told this magazine. The crisis is unmistakable, and it is the very unions that are contradicting themselves and making the membership figures they furnish look ridiculous. On more than one occasion several leaders of the communist union have acknowledged in public that about 18 percent of the wage-earning labor force are members of unions, which would come to a good 1.5 million affiliates throughout Spain, though according to the three major unions, they have more than 2.2 million dues-paying members.

This 18 percent level, which other sources would lower to 12 percent, is more realistic, as a study by Victor Perez Diaz, a professor of labor sociology, shows. Relying on the statistics for the six sectors in which the unions are strongest (metalworking, construction, chemicals, foodstuffs, textiles and mining), he placed their membership level in 1980 at 33 percent (See table), which means a drop of appreciably more than 40 percent since 1978, inasmuch as the membership level at the time was 56.4 percent in these sectors.

#### The Fee of Discord

The membership and dues crisis has made itself strongly felt in the coffers of Spain's labor unions. The loans backed by the Foreign Bank of Spain are in the hundreds of millions of pesetas, and debts are mounting year after year, which has forced the largest union federations to give ground in their demands in exchange for getting their financial houses in order by helping out the union locals, as with the 800 million allocation in the General State Budgets for 1982.

The union rank-and-file have seen their leaders back down first in the AMI and then in the ANE. "They have sold out for a plate of beans at the expense of the workers' buying power," a prominent activist in the UGT's dissenting faction told ACTUALIDAD ECONOMICA. Manuel Zaguirre shares this view: "The ANE entails a loss of wage buying power, and in contrast it remains to be seen whether it is going to create jobs or not. The secretive, closed-door atmosphere in which the negotiations were conducted has not helped the ANE at all, because among other things it has brought back the old style of a vertical labor movement."

In any case, the unions are faced with an enormous economic crisis, and the UGT has tried to erase some of its red ink at the workers' expense through what has come to be called the agreement fee. The commotion, "which will as yet have serious consequences," Zaguirre warned, began last 14 December when the Valladolid commercial agreement was being initialed. It contained

## LA CRISIS DE AFILIACION, EN CIFRAS

(1) (Porcentajes de afiliación y simpatizantes de las principales centrales sindicales en los sectores del metal, construcción, minería, químico, alimentación y textil en 1978 y 1980.)

	1978			1980		
	(2) Afiliados	Simpatiz.	(3) Total	Afiliados	Simpatiz.	Total
CC. OO.	31,0	9,2	40,2	16,3	7,6	23,9
UGT	13,6	6,6	20,2	10,3	7,8	18,1
<b>Total centrales mayoritarias (4)</b>	<b>44,6</b>	<b>15,8</b>	<b>60,4</b>	<b>26,6</b>	<b>15,4</b>	<b>42,0</b>
CSUT (5)	2,6	0,5	3,1	1,2	0,2	1,4
SU (6)	1,7	0,3	2,0	0,7	0,1	0,8
USO	3,1	0,6	3,7	0,8	0,8	1,6
CNT (7)	1,4	1,8	3,2	0,8	0,8	1,6
ELA-STV (8)	0,8	0,1	1,4	0,6	0,4	1,0
ELA-STV (a)	0,1	0,1	0,2	0,3	0,1	0,4
Otros (9)	2,0	1,0	3,0	2,8	1,8	4,6
<b>Total centrales minoritarias (10)</b>	<b>11,7</b>	<b>4,9</b>	<b>16,6</b>	<b>7,2</b>	<b>4,2</b>	<b>11,4</b>
<b>Total centrales sindicales (11)</b>	<b>56,3</b>	<b>20,7</b>	<b>77,0</b>	<b>33,8</b>	<b>19,6</b>	<b>53,4</b>

**Key:**

1. The Membership Crisis, in Figures (Percentages of members and supporters of the main union federations in the metalworking, construction, mining, chemicals, foodstuffs and textile sectors in 1978 and 1980)
2. Members
3. Supporters
4. Total, major union federations
5. Confederation of Unitary Trade Unions of Workers
6. Unitary Unions
7. National Confederation of Labor
8. Solidarity of Basque Workers
9. Others
10. Total, minor union federations
11. Total, all union federations

a clause that reads as follows: "All workers affected by this agreement will be obliged to pay a fee for legal and technical counsel. The fee is set at 60 pesetas a month and will be withheld from paychecks by the company and placed in a checking account in the name of the CCOO and the UGT in proportion to their representation. The fee will be collected only when the worker is employed."

The clause has caused astonishment not only in business but among the union federations themselves as well. The CEOE was the first to react and denounce

the move: "The agreement fee represents an attack on the right to organize because it violates the principles set forth in the constitution, as well as ILO conventions 87 and 98, while discriminating against unions that have not been involved in the agreement negotiations and procuring funds that belong to each individual worker."

Zaguirre is even more categorical: "An obligatory fee for the negotiation of an agreement is an attempt by certain union machines to extort money from the workers. In light of the union membership crisis that the country is experiencing, we must develop union freedom and the democratic labor movement to its fullest extent, and under no circumstances should we slide down the road of a more or less disguised neoverticalism."

#### He Who Benefits Pays

Although this method is used in some countries to get the workers to help defray the costs that the collective bargaining process entails for unions, the UGT has realized its mistake and is trying to set things straight...to justify it: "We must not confuse things or go looking for trouble. This is in no way an attack on the right to organize. What it is is an attempt to level with everyone. The unions are in the midst of a major economic crisis, and it is not fair that they alone have to shoulder the costs of the collective bargaining process while the people who actually benefit contribute nothing," Mazarrasa asserts. "Now then, this clause should be accompanied by a protective clause making the fee voluntary, so that a worker who does not wish to contribute can refrain from doing so by notifying his company in writing." The UGT's hedging seems more reasonable, but if the unions are having a tough time getting their own affiliates to pay their dues (they run between 150 and 200 pesetas a month), how can they expect nonmember workers to help defray the expenses of the union federations?

The fee caper has not yet come to a close. Meanwhile, the UGT is doing what it can to live with the mistake it made and will try to rectify it, CCOO is flirting with cynicism. After initially supporting the UGT's move, it now wants to put the blame on the socialist union so that its own image is not tarnished and has publicly come out against the fee, inasmuch as it feels that there are other ways to keep the union federations in operation, such as the negotiations on union assets and their subsequent return. The CCOO's washing its hands of the matter was the logical response to restrain its own rank-and-file, but while talk comes and goes, the written word remains, in this case, at the Valladolid Labor Office.

The union crisis is touching bottom. The shortage of members and pesetas is reaching unthinkable levels, and although the unions have realized that the workers are interested in keeping their jobs and preserving the buying power of their wages, they have done so a bit late. Mistakes must be paid for, and in this case the price is all too high.

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CSO: 3110/69

## SURVEY SHOWS CCOO AS MOST INFLUENTIAL LABOR ORGANIZATION

Madrid ACTUALIDAD ECONOMICA in Spanish 14 Jan 82 p 24

[Text] How the Unions Stand in the Companies

An increase in the influence of the UGT [General Union of Workers], a drop in unrest and broad trend among workers in favor of a negotiating labor movement are the three main conclusions of the study entitled "How the Unions Stand at 5,500 Spanish Work Places," which was conducted by a team of experts from EDIS [Sociological Research Team] and sponsored by the Friedrich Ebert Foundation.

The study is based on a survey that was answered by 5,480 work places that employ 850,000 workers.

The following are the main conclusions describing the labor union picture in Spanish companies:

--Only three union groups have representatives (either a delegate to or a member of the shop committee) in more than 30 percent of the companies being surveyed: CCOO [Workers Commissions] in 47.9 percent of the cases; UGT in 37.2 percent, and the unaffiliated in 32.2 percent.

--As far as the real influence of each federation or group is concerned, in the opinion of the employers the most influential are the CCOO in 41.3 percent of the work places studied, the UGT in 27.6 percent and the unaffiliated in 15.7 percent. However, the UGT was regarded as having the most real influence (five points ahead) in the companies in which the chairman of the shop committee (a sign of predominance) belongs to this federation. This rise in influence is due mainly to the UGT's ability to bargain with employers under the Framework Collective Bargaining Agreement.

--The average level of labor unrest (29.2 percent of the companies surveyed recorded unrest last year) was centered in work places mainly in the Basque Country, Navarre and the Canary Islands, particularly in large work places (more than 1,000 workers) and where they are influenced principally by the Basque union federations ELA-STV [Solidarity of Basque Workers] and LAB [Basque National Union], as well as the CCOO and other, regional unions such as SOC [Workers Solidarity of Catalonia], SOG [Trade Union of Galician Workers], ING, etc.

The most influential union federations among workers in companies that have recorded unrest have been, proportionally, LAB, ELA-STV and CCOO. Within the general framework of unrest the UGT always appears in a very moderate position, closer to the groups of independent unions and the unaffiliated than to the other union federations.

**Unions with the Most Real Influence on the Workers**

<u>Union</u>	<u>As a Percentage of All Companies</u>	<u>As a Percentage of Influential Unions</u>
None has special influence	28.2	
CCOO	29.7	41.3
UGT	19.8	27.6
Unaffiliated	11.3	15.7
Independent	2.6	3.6
USO	2.3	3.2
CSUT	1.8	2.5
ELA-STV	1.5	2.1
SU	1.4	1.9
Other regional unions	0.7	0.9
CNT	0.4	0.6
LAB	0.4	0.6
Total	100.0	100.0

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## TISK LEADER CALLS FOR REVISED ECONOMIC POLICY

Istanbul CUMHURIYET in Turkish 3 Dec 81 pp 1, 9

[Text] Ankara, (CUMHURIYET staff)--President Halit Narin of the Turkish Confederation of Employer Unions (TISK) yesterday held a news conference at which he gave his views on economic questions. Declaring that it is imperative for us to enter 1982 guided by a new economic policy, Narin said, "Today no business is in a position that will allow it to plan one month ahead. This policy has succeeded up until today, but it will be detrimental to continue the same policy in 1982." Claiming that the prohibition on laying off workers is no solution to the unemployment problem, Narin asked for the lifting of this prohibition. At the news conference, which was called as a result of a written appeal sent to newspapers by Consultative Assembly member and TISK General Secretary Rafet Ibrahimoglu, Narin said in reply to a question that it would be wrong to criticize the decisions of the Supreme Council of Arbitration. Commenting also on the matter of the State Economic Enterprises, Narin advised that it would be correct to turn these over to the private sector. Underscoring his belief that unemployment is an inevitable result of the struggle against inflation and that in 1982 measures will have to be taken in this regard, Narin then summarized his thoughts in the following words:

"The tight money and credit policy of the past 2 years has yielded favorable results in the struggle against inflation. By reducing excessive demand we have been able to effect a slowdown in buying. However, we have now reached the point where the benefits of continuing this policy are being debated, because the present money and credit arrangements have nearly exhausted their resources as a consequence of past years of high inflation, and every serious business is really beginning to feel the effects. Businesses are being forced to borrow additional money because of the increasing input costs. On the other hand, since it is not possible to export every article produced, or to find new partners at the drop of a hat, operations have been pushed to the critical point when it comes to financing."

Characterizing the achievement of labor peace as a positive development, Narin continued by saying, "In such an instance it is impossible to comprehend the benefit to be derived from the actions of the Turk-Is representatives who, following their old habits, continue to level irresponsible and unfounded charges against the employers. If this is being done so as to have a personal investment in the future, unfortunately it is being done at the cost of sacrificing labor peace."

Maintaining that the prohibition on laying off workers can in no way solve the unemployment problem, Narin expressed the following views on this question:

"The conditions of the free marketplace have been accepted as the motivating force of our economy. One of the measures adopted during the initial days of "12 September" was the restriction on laying off workers. This restriction is creating huge problems in our places of employment which are faced with today's declining demand and low production. Places of employment are created to allow people to work. Laying off workers is not their purpose, but rather a result necessitated by economic conditions. The introduction of certain inflexible rules on employment in countries that are still developing, like Turkey, has brought great adversity to the world. These bitter experiments did not end with just the destruction of existing businesses, but also blocked the anticipated economic development by shattering the determination and drive of entrepreneurs to invest. The chances of the unemployed to find work were also reduced to zero."

Halit Narin explained his views on economic policy, the main topic of the news conference, in the following words: "It is obvious that the economic policy followed in 1980 and 1981 is insufficient to meet the needs of 1982. Consequently, a different approach to the economy is required for 1982. We think it is imperative to review policies on employment, investment, export, and, above all, money and credit, with a view toward effecting changes in these areas that will benefit from the determination and creativeness of free enterprise. Today no business is in a position to plan one month ahead. There are even cases of planning from one evening to the next evening. Investments have stopped completely.

We cannot be expected to enter 1982 guided by today's economic policy. There is no other place besides Turkey where a policy has been allowed to stand such a long time as 2 years. All of the planned goals have been reached. The enemy has been routed. You can no longer tell the soldier to advance, because he is now in no condition to walk. Inflation has turned out to be around 35 percent, below even the official figures. Reducing inflation to this level has garnered the respect of the world. The brakes were applied with fervor, but, as you know, applying brakes requires one to hold tight."

Later during the news conference, Halit Narin answered questions put to him by journalists. One reporter, questioning his last statement, asked, "In reference to what you said about the necessity to hold tight when applying brakes--as you know, the ones holding tight are all drivers. Where are you sitting on this bus, and who is in the driver's seat?"

Answering the question, Narin said, "It is true that the ones holding tight are the drivers, but I was not speaking of a city bus, but rather a long-distance bus traveling on a highway. No matter where you are sitting, if this bus has an accident, every one gets hurt."

Replying to another question, Narin said that inflation for 1982 has been estimated by the government at 25 percent, but it would be more correct to put it at 30 percent.

To a reporter who said, "You are like a man pulling the emergency cord." Narin rejoined. "I have already cried out for help." He also answered a question about the deliberations of the Supreme Council of Arbitration by saying the following:

"It is not for us to debate the decisions of the Supreme Council of Arbitration. They have never in the past been the subject of extensive criticism, and it would be wrong to criticize their deliberations now. If we sanctioned their decisions, we would anger our worker friends. I cannot say that they are bad, because they are not bad. Therefore, there should be no debate at all."

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## SOCIAL SECURITY CHANGES BLASTED BY TURK-IS

Istanbul CUMHURIYET in Turkish 3 Dec 81 p 5

[Article by Sukran Ketenci]

[Text] The numerous restrictions levied by law No 2422 which amends the Social Insurance Law upon the worker's right to retire have caused severe repercussions within the rank and file of Turk-Is and shocked the leadership. Some of the top leaders found that the solution lay in sacrificing one of their own. Minister of Social Security Sadik Side, at the meeting of the management board of Turk-Is, promised that the restrictions in the Social Insurance Law would be corrected in consideration of their vested rights. Then, in a public announcement, Turk-Is President Ibrahim Denizcier said, "Side promised us that, at the latest, the law will be corrected by the end of June," thereby dismissing Side's conflicting, dual function without further discussion.

When the month of June arrived, instead of the promised law, optimistic statements were issued concerning work on the law. In the ensuing months Mr Side continued to issue hopeful statements about the law so eagerly awaited by the workers. However, we have now reached December and this amendment, which is said to be on the National Security Council's agenda, is still not a reality. The argument that "since it is on the agenda it will surely come through some day" does not hold water for a large majority of workers.

In order to avoid the benefit restrictions which the new law imposes, workers must retire by the end of this month. If they want to avoid retiring with reduced benefits, those who have paid Social Insurance premiums for less than 7400 working days and have not reached 55 years of age--(50 years for women)--will have to choose between one of two courses: either to retire by the end of this month or to fulfill the prescribed time periods. Further, those who began work before 18 years of age cannot retire now because of the new law's provision "that disregards work done prior to 18 years of age," which went into effect last March despite the unfulfilled promise that it would be corrected retroactively. Failure to correct this law by the end of December will mean a permanent loss of privilege for those affected.

Restrictions placed on severance pay and on their retirement benefits have increased the workers' concern for the future. Even those whose work situation is such as to permit them to overcome the restrictions have joined in the rush to retire, together with those who stand to lose benefits. There is a rapid growth in the army of young retirees who will be unable to live on their pensions and thus be driven into the peril of having to look for work again.

The sheer number of people seeking retirement has naturally increased the processing work needed in this connection. However, does this fact then give the Social Insurance Organization the right to look down on this unfortunate group as it is plunged into poverty? Can the Ministry of Social Security headed by the General Secretary of Turk-Is pulverize these people for years--never mind months--in the cogs of bureaucracy saying that "they retired, so they can no longer take part in union elections"? Regarding these perennial breakdowns in the processing of retirement applications, the bureaucracy of the Ministry of Social Security has made administrative decisions that do not even provide for discussions with the retiree. The workers' complaints will only be accepted if submitted to the Ministry in writing, (with the answer to come many months later).

Although Mr Side announced the welcome news that there would be an increase in the November pension payments, it was seen from the paysheet that decreases in payments had occurred. At first it was claimed to be an accounting error, later, in a series of statements that we lacked the technical expertise to grasp, it was announced that because of interim advances made, what in fact appeared to be a decrease was actually an increase. Should not Mr Side have been apprised of this technical information beforehand, so as to avoid disappointing the workers?

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## ADEQUATE WAGES URGED FOR CIVIL SERVANTS

Istanbul DUNYA in Turkish 3 Dec 81 p 8

[Article by Veysi Sevig]

[Text] During the past few days, the principal topic occupying the press has been the salary increases to be given to civil servants. The only way to insure that the functions of government are carried out is through the people who work in the various agencies and institutions of the government.

It is well known that for years people in our country who work in the public sector have been underpaid, and that they have experienced continual difficulty in meeting the high costs of living. On the other hand, sometimes there are so many people applying to take the exams for service in the public sector that these exams have to be given in indoor sports stadiums.

Perhaps the problem of employment, the fear of a long wait to find the kind of job one wants, and the desire and need to get a higher education while working, have all increased the desire of people in our country to work in the public sector. However, in this regard, being able to work in some public institutions has become a privileged status, because these institutions over time have virtually taken on the appearance of schools where trainees and employees, after working there for a short time, prefer to leave and join the private sector, or to work on their own.

The 1982 budget was sent to the Consultative Assembly on Monday evening. It has been announced that this budget, which will go into effect on 1 March, contains a provision to increase civil service salaries by 25 percent. The total supplementary material facilities to be accorded in 1982 to those employed in the public sector will be around 160 billion lira.

Because current expenditures in the budget were always increasing, government budgets of recent years—which turned into budgets for maintaining salaries—have up to now never brought any relief at all to salaried employees. Likewise, the 1982 salary increase of 25 percent will also fail to bring relief to those employed in the public sector.

Despite the fact that those in the public sector receive low salaries, everyone knows that there exists a portion whose life-style is quite varied. Some of those in the latter group have lately begun to sever their links with the public sector,

but it would be a mistaken judgment to say that in so doing they have achieved the result that was expected from this act.

From the standpoint of public administration, employment in this sector of an optimum number of personnel and attainment of maximum benefit from their work are crucial to providing the services expected. A major portion of the personnel hired by the public sector in recent years was hired not out of necessity, but rather for political and personal reasons. The upshot of this has been today's redundant staffing, and an even greater increase in the number of superfluous government workers.

Despite the fact that the number of bureaucrats increases daily, the quality of the services offered by the government to the public declines with each day's passing. As a result, it has become difficult for the individual to establish any kind of relationship with the government, and it has become necessary to have experienced intermediaries in order to establish satisfactory relations with the government.

The fact that, especially in recent years, groups of high-level bureaucrats in certain ministries have gone over to intermediary institutions paying high salaries is concrete proof of this assertion.

To get an idea of how public service employees will benefit from the facilities to be given them with the 1982 fiscal year, it would be good to review their new, that is, their enhanced, situations. Considering that the coefficient for top-rated public employees will rise to 30, their net monthly income will increase by 9,846 lira. In contrast to this, the lowest-rated public service employees can expect to receive a net increase of only 1,459 liras per month. According to the current personnel law, in order for a public service employee to be allowed to receive the top salary, he is required, because of the supplemental indicators in effect after grade one, to fill a very exceptional job. For example, even the under-secretary of a ministry, the member of a higher judicial body, or the presiding member of such a body, is not qualified to receive the top monthly salary.

Pay index for civil servants are also changing as of the beginning of the new fiscal year. According to the new schedule, the lowest index will be 350, and the highest index will be 1,400. This means that a person who works in the public sector will earn a gross salary of at least 10,500 and at most 42,000 lira per month, excluding subsidiary allowances.

Today the director general of any public institution is forced to be content with a monthly salary of between 30 and 40 thousand liras. The total take-home pay--including per diem under normal conditions--of an examiner who conducts audits for the government is around 30 thousand lira.

For one to think that in Turkey people can be induced to work in the public sector for low wages, and that subsequently their problems can be resolved through inadequate wage increases, is to deny reality. Because it is easy to see that these kinds of practices, wherever they involved the use of cheap labor, yield poor results.

The initiative to reduce needlessly inflated staffing, and thus provide the wherewithal to pay higher salaries from the budget to fewer people, proved to be unsuccessful. The reason is that the legal incentive offered for early retirement did not produce the results that were initially intended. At the time the concept became law, many dynamic forces who for years had chosen to devote their superior

capability to service in the public sector answered the government's stab in the back by requesting early retirement. At the same time, those who had been needlessly employed in the public sector for one reason or another, but who never produced a single service, were trying to remain in their positions.

A government organization can render adequate service only if it employs capable workers at an adequate level. It is an uncommon thing for a qualified and skilled person with a keen sense of duty to continue serving selflessly for a long period of time when his pay is insufficient. If what is desired is that the government should fulfill its functions properly and fully, then it is imperative to provide those who undertake and direct the performance of these functions with the pay that they deserve. Nonfunctioning government services harm every sector and every citizen. Therefore, if we want these services to be carried out in the best possible way, we must acknowledge the principle of paying the appropriate salary to the requisite personnel.

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## GREENLAND 'NO' TO EC SEEN TO POSE DILEMMA FOR DENMARK

Copenhagen BERLINGSKE TIDENDE in Danish 2 Feb 82 p 3

[Article by Lisbeth Knudsen: "Poul Moller (Conservative Party): Denmark Can Not Have Two Kinds of Foreign Policy"]

[Text] "A country cannot have two kinds of foreign policies. What position should Denmark adopt if Greenland decides to leave the EC?" This was said by the Conservative Vice-President of the European Parliament, Poul Moller yesterday at a conference arranged by the Danish European Movement on Greenland and the EC. Poul Moller added that a decision by Greenland on 23 February for quitting the EC would lead to a situation in which Denmark, under its responsibilities connected with EC chairmanship, would have to negotiate with Greenland on a new arrangement while Denmark is acting as representative for the EC. At the same time, Denmark ought to be representing Greenlandic interests [before the EC]. The Danish chairmanship of the EC is to begin 1 July 1982.

The Danish EC Commissioner for Agricultural Problems, Poul Dalsager, began the conference with his evaluation of what Greenland's position would be in case of withdrawal. He stressed especially the problems of disposing of production which would be faced by the Greenlandic fishery industry. "My evaluation is that many tough responsibilities remain for the home-rule government. These will not be eased by the uncertain times we presently find ourselves in. I think that membership in the EC will make it easier to solve these problems. I believe that membership in the EC for the Greenlanders, just as for other peoples in this situation, will mean security. It seems to me that in this time of uncertainty no one will choose an uncertain solution," Poul Dalsager said.

The Greenland campaign in advance of the plebiscite is very rough, and that was clearly reflected by way of expression in the conference when there was a clash between the brothers Jorgen and Knud Hertling [former minister for Greenland Affairs], who represent, respectively, the Atassut Party [pro-Denmark home rule group favoring EC membership] and the Siumut Party [somewhat anti-Denmark, anti-EC group] in Greenland. Attorney Jorgen Hertling said that the Greenland right of self-determination is operating "on borrowed wings," by which he meant that the Greenlandic economy is based on grants from Denmark and the EC. He did not think that Denmark would economically be in a position to furnish Greenland with larger contributions in order to develop its economic life, and he pointed out that Greenland, through its EC membership has a clear right to receive contributions in the future.

CSO: 3106/60

## NOWAK BOOK ON FRG INTELLIGENCE SERVICES REVIEWED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 6, Jun 81 pp 147-148

[Review by A.Z. of book "ZA PARAWANEM SLUZB SPECJALNYCH REPUBLIKI FEDERALNEJ NIEMIEC" "Behind the Screen of the Federal Republic of Germany's Special Services] by Edward K. Nowak, Wydawnictwo Ministerstwa Obrony Narodowej [Ministry of National Defense Publishers], Warsaw, 1981, 207 pages]

[Text] This work presents the origin and organization of FRG intelligence and counter-intelligence services, the participation of intelligence and counter-intelligence in the political life of that country, and the role of intelligence in foreign policy. The author writes that intelligence is one of the constant instruments in West German foreign policy. It executes tasks which arise from the strategic objective of the West German capitalists, which is the consolidation of capitalism. That is to say, intelligence acquires information which is indispensable to the conduct of foreign policy, undertakes external activity intended to defend the interests of the ruling class, and neutralizes activity directed against FRG foreign policy objectives.

Against the background of the development of the international situation, the author discusses the role and significance of the Federal Intelligence Service and its influence on governmental decisions in the area of foreign policy. He also attempts to define "projected" methods of operation of foreign intelligence services in the 1980's. These methods, he writes, will be characteristic of the Cold War period, with elements typical of the period of detente. For example, in the FRG the Federal Intelligence Service currently employs methods typical of the detente period, e.g., the tightening of cooperation with the Federal Border Defense Service, which i.a. keeps travellers from socialist countries under surveillance.

CSO: 2600/302

## BRIEFS

PRESIDENTIAL ELECTION STATISTICS ANALYZED—The Social Democratic Party gathered 48.5 percent of the urban votes in the balloting for presidential electors, and 34.5 percent of the rural votes. Support for the Center Party was concentrated in the rural areas. Its share of the votes in rural counties was 28.6 percent. In the cities, the center Party won 9.2 percent of the votes. These figures emerged from the immediate statistical analysis of the voting for the presidential electors prepared by the Statistical Center. The Conservative Party took 20.4 percent of the urban vote, and 16.3 percent of the ballots in other districts. Support for the People's Democratic League was divided almost equally between the urban and rural areas; the share of urban votes for the People's Democrats was 11.5 percent and the share of the rural votes was 10.1 percent. According to the statistics, the Social Democrats, the Center Party and the Swedish People's Party were the only parties which received a total of over 60 percent of the votes in any individual district. According to the statistics, the Social Democratic districts were Kuusankoski (67.3 percent), Imatra (66.2 percent) and Pohja (63.7 percent). The districts giving most support to the Conservatives were Yliharma (33 percent), Palkane and Karinainen (31.8 percent). The Center Party garnered most support in Merijarvi (65.1 percent), Alavieska and Ullava (63.5 percent). The People's Democrats performed best in Kolari (39.7 percent), Kemi (35.3 percent) and Kittila (34.4 percent). The Swedish People's Party did best in getting votes in Kruunupyy (77.9 percent), the Rural Party in Karvia (12 percent), the Christian People's League in Kodisjoki (9.5 percent) and the Liberal Party in Seinajoki (3.5 percent). [Text] [Helsinki HELSINGIN SANOMAT in Finnish 2 Feb 82 p 7]

CSO: 3107/65

## JOSPIN ON PSF-GOVERNMENT RELATIONS, PCF, OPPOSITION

Brussels KNACK in Dutch 23 Dec 81 pp 114, 117

[Interview with Lionel Jospin, first secretary of PSF (French Socialist Party): "The Right Always Wants to Make its Interest Law"; date and place of interview not given]

[Text] In the French media he is presented as a somewhat serious man, a well-spoken debater who expresses what he wants to say clearly and efficiently. His image is the opposite of someone like Georges Marchais, it is said. Lionel Jospin (43), first secretary of France's most powerful party, the Socialist Party, is heading toward ... political career which could become as great as his political past is current.

Jospin received the time-honored education suitable for high-level administration. Son of a teacher, matriculated at a reputable lyceum, studies at the National School of Administration and an office at the Quai d'Orsay. In 1970 he was to leave that type of pre-destined career. He would become a lecturer at the Institute of Political Studies in Grenoble and also that same year, professor at the University of Sceaux, where he would teach economy.

In the fall of 1971 he confirms his Public Life by joining the Socialist Party of François Mitterand. Although there are differences of opinion between Jospin and the brand-new chairman -- such as Algeria -- an increasing understanding arises between them. More than that; Mitterand adopts the policy of the newcomer. In 1973 Jospin already is part of the party secretariat. He is involved with the problem of the Third World and relations with the communists. After the congress of Metz in 1979 Jospin becomes the party's Number Two. Mitterand's choice fitted perfectly into the entire elan he wanted to give his PS. It would become increasingly obvious that Jospin was the right man in the right place, the type of figure who is permeated with the spirit of the times.

The first secretary now finds himself in the border area between the power of the state and the party. It is a position which he is able to fulfill more than adequately. Mitterand's stamp is clear, but simultaneously Jospin is able to distance himself, to detach himself from that paternity. As the leader of a party which promoted its own leader to president, Jospin has to prove that it can also exist without Mitterand and his entourage established in the presidential palaces. As it looks now, Lionel Jospin even meets all the conditions of becoming Mitterand's successor himself, a proof of statesmanship.

[Question] After the president and the prime minister, you are being called the most important man politically in France. How do you yourself see your position as related to the power of the state?

Lionel Jospin: If I am important, that means the PS is important. That power of the state you are talking about consists of people. I have been involved with François Mitterrand and Pierre Mauroy for 10 years already. On the one hand they have become my friends; on the other hand they now represent institutions which are confronting me, as well as everyone else. That is a complex relationship both personally and at the party level. The socialists have a broad majority in the government and in the Assembly. Thus the PS is part of the state, but they still have to remain separate and independent of each other. The Socialist Party must remain alert and hold on to its roots. It must continue to remain the sounding board of the feelings, demands and lamentations of the people. Apart from that we are doing everything we can to make the policy of the government succeed. The latter does not exclude criticism and suggestions. In doing all that we must not lose sight of the ultimate goal: to make sure that the policy of change is carried out.

[Question] Do you mean by that that France must become a socialist society?

Jospin: That's what we are indeed heading for. We are opting for a mixed society model in which social justice, collective interests and the rights of workers will be much more developed than is now the case. It will be a society in which the exploitation of labor, and other forms of oppression and ideological pressure will decrease together with the influence of the economic and financial power structures. The people will renew their faith in the legislative elections of 1986 and the presidential elections of 1988. Perhaps there will still be unemployment then, but to a considerably decreased extent. The work week will be cut back to 35 hours, or even less, and free time will become a concept as never before.

France will become a country in which inequality decreases and in which the differences between groups and classes fade away. Simultaneously it will become a less uniform society because each individual will get better opportunities to develop himself. Everything I am listing here, however, presumes that the Western countries will do something about the massive unemployment, that the arms race is curbed and that solutions are found for the less developed [countries]. If that does not happen, violence could possibly spread.

[Question] The current political climate in France shows signs of deteriorating. How do you explain the fact that the debate between the majority and the opposition is proceeding so stubbornly?

Jospin: The fact that the left has come to power in France was an immense event. In history, such moments never occur in an atmosphere of apathy. There is another reason: the right has had an unpleasant awakening. The right fears that we could remain in power for a very long time. That explains why the climate has become troubled. I am not talking about the right in general, but about certain circles and individuals who want to play the democratic game . . . as long as they have the winning hand. When they lose and their interests are affected, their traditional, inherited or historical instinct surfaces again. That sort of instinct then is

very undemocratic. In fact, the right wants to serve its interests to such a degree -- and finds them so essential -- that they want to make them into law. Their interest must be defended come what may. Thus it is no coincidence that the debate became turbulent when nationalizations were brought up for discussion.

[Question] Don't the socialists carry some of the blame?

Jospin: When the debate gets out of hand, no doubt blame can be seen on both sides. Only it is not our custom to systematically caricature the other standpoint. I really believe that the socialists -- who, for that matter, have the majority in the Assembly -- have no interest at all in promoting tumult. If on occasion we don't control ourselves sufficiently, it is because we are not aware of something very simple, namely that every socialist from now on is connected to an amplifier. In the past we had to shout to be heard, and people still couldn't hear you in the next room. Now, if we whisper in a room, the entire neighborhood hears it. We have to get used to the new condition. We have to whisper first and then shout and act.

[Question] The second man of the Socialist Party, Jean Poperen, once stated that the Leftist Union was still a parenthetical matter for the PS; do you share that opinion?

Jospin: Jean Poperen wanted to bring clarity to a complicated situation. Between '77 and '81 the communists of that union made certain statements without really standing behind them. They wanted to strike at the PS. Afterward they stepped into the boat with us. You might say that the theoreticians of the PC [Communist Party] stayed behind on the quay. They join the PS, but they stick to the old theory. A theory which the socialists abandoned in order to achieve the current result: to govern. That forked tongue of the communists is a little embarrassing.

[Question] Does Lionel Jospin have a personal goal in life?

Jospin: Yes, just like those 4.4 billion other people. At the political level I want to be the best possible first secretary of the party the next two years. I also believe in that group of men and women who now are being confronted with their responsibility by history. That group will succeed if there is cooperation, if we keep in contact with those who have faith in us. As to individual political goals, that is difficult to comment on. Let time take care of that.

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CSO: 3165/74

## POST-ELECTORAL ADJUSTMENTS BY NEW DEMOCRACY NOTED

London 8 DAYS in English No 2, 16 Jan 82 pp 14-15

[Article by George Coats]

[Text]

A YEAR AGO the then Greek prime minister, George Rallis, spoke confidently of leading his conservative New Democracy Party, which under its founder, Constantine Karamanlis, now the country's president, had laid the basis of the post-dictatorship Greek state, to an electoral victory in 1981 for another four years in power.

But the elections were lost and the NDP, having jettisoned Rallis as a scapegoat for its defeat, is divided, lacking both direction and a clear perception of its identity.

Its problem is a big one. On losing the election the party found that it had to rewrite its charter because it made no provision for being in opposition. A study centre closely associated with the NDP discovered that its grassroots supporters were generally old, badly educated (in their youth there was no compulsory education), and from the lower income bracket.

An analysis of the election results showed that despite absorbing some political personalities from the former centre, the party had lost centrist voters who had flocked to the banner of the Panhellenic Socialist Movement (Pasok) of Andreas Papandreou. Despite its positive contribution towards stability, the party had also appeared lacklustre in government, unresponsive and boring. These last two factors ensured that people felt that they could safely vote for Papandreou in large enough numbers to ensure that he would lead the country's first leftwing government with a comfortable parliamentary majority.

But, as people used to point out in the days when New Democracy's monopoly of power made it appear as the natural governing party, democracy has to walk on two

legs. Papandreou pledged during last year's election campaign to relegate the right to the margin of history and since the elections it appears that his major ally in achieving this has been the NDP.

The right, as Papandreou never tired of saying, has dominated Greece in varying guises of conservatism, almost uninterruptedly for the past 45 years. On forming New Democracy in 1974, Karamanlis stated that it should be above party and was open to all democratic Greeks of any political persuasion except marxism. But to face the troubled times he fell back on his old colleagues from pre-dictatorship days and, as barons of the party, they stamped their conservative and somewhat limited identity on the party. Despite the assertions first of Karamanlis and then of Rallis that New Democracy stood for radical liberalism, it was never convincing as anything more than the latest incarnation of the right.

Being relegated to the opposition has proved traumatic. Younger former ministers accept that if the NDP is to regain the political initiative it must not only reform its internal mechanisms but, more fundamentally, it must reshape policies and image to win back centrist support and to appeal to younger people.

But in dropping Rallis from the leadership and replacing him with Evangelos Averoff-Tositsas, the NDP appears to have moved in the opposite direction. Averoff is the standard bearer of the party's right wing and although he sees himself as defending its traditional values, to others he symbolises a conservative backlash, a nostalgic retreat to the precepts of the fifties which the electorate of the eighties has already

rejected.

Part of the problem is what many within the party accept as a generation gap. 'The dictatorship hurt us more than any other party,' said a former minister. 'Had there been normal political conditions, many of the old guard would have been replaced naturally by newer men. But the junta halted politics and so now we have old men whose ministerial records and political perceptions recall another era, and young men whose political careers began only in 1974. There just isn't anybody else.'

Averoff is identified by centrist and left-wing electors as well as the young with the ugly face of conservatism. He is seen as having let bitterness over his close defeat by Rallis as successor to Karamanlis divide the party in election year. At 71, he looks an unlikely figure as a prophet taking the party along a modernising path.

It is difficult to see how he can make any immediately effective challenge to Papandreu's government. Many of the basic reforms the new prime minister has promised to carry out have been proposed in the past by the more progressive of New Democracy's ministers. They include family law reform, separation of church and state, divorce law, the introduction of civil marriage and an overhaul of the clearly inadequate health, education and social welfare services. All these, as well as streamlining

the ramshackle civil service, had been put forward at one time or another by members of the previous government, only to be watered down, overruled or simply lost in a parliamentary limbo.

Averoff, by his vitriolic attacks on a new civil service law proposed by the government last month, appears to be signalling a strategy of diehard opposition across the board. This merely begs the questions of what shape his party should take, what vision it has of a future Greece and how it should modernise its image. The electorate clearly acknowledges a crying need for a social infrastructure along the lines enjoyed by other European states since the second world war and a desire to change the old faces which have dominated their lives for years. But it is clearly unsure about some of Papandreu's more dogmatic socialist ambitions, an uncertainty that Averoff needs to exploit more precisely.

Averoff, like his elderly colleagues at the top of New Democracy, began his ministerial career in the days before Suez. Veteran politician that he is, he clearly lacks a perception of the social changes which have occurred in Greece during the past generation of industrialisation. A key question for the future of Greek democracy is whether under his leadership his party will be able to develop its next generation of political leaders.

CSO: 4600/236

## BRIEFS

EVROS MURDER CLARIFICATION--A settling of scores between hunters and no other reason (political or national) was behind the 6 January killing on the Evros [Maritsa River]. This is what emerges from the inquiries still in progress into the killing, by Turks, of the fisherman from Ferai, G. Kapoutzsis. The Evros prosecutor's office revealed that the victim and his fellow passenger in the boat, Par. [expansion unknown] Galatsis, on Christmas Eve, purchased four wild pigs from Turkish hunters for a total price of 19,000 drachmas and with the understanding that they would share the proceeds from their sale. The two Greeks sold the wild pigs for 50,000 drachmas each and when the Turks asked them to share the profits, they refused, with the result that shots were exchanged and Kapoutsis killed. Meanwhile, it is announced that Par. Galatsis will be subjected to criminal prosecution for having illegally entered a restricted border area of the Evros. [Text] [Athens I KATHIMERINI in Greek 13 Jan 82 p 1]

CSO: 4621/168

## SOVIETS SEEK TO GAIN NEW FISHING, AIR, PROPERTY CONCESSIONS

## Importunate Requests for Privileges

Reykjavik MORGUNBLADID in Icelandic 10 Dec 81 p 48

[Article: "Soviets Importunate Toward Icelandic Authorities: Want License for Experimental Fishing, Agreements on Air Issues and a New House"]

[Text] A request from the Soviet Embassy for a permit from Icelandic authorities to purchase a one family house at Solvallagata in Reykjavik is currently awaiting approval in the Ministry of Justice. During talks with representatives from the Icelandic Fisheries Authorities, the Soviets have requested that they get authorization for experimental fishing for three ships around Iceland. The Soviets have repeatedly proposed that it be taken under consideration whether there are grounds for establishing air communications between the Soviet Union and Iceland.

According to information MORGUNBLADID has obtained, the Soviets have been unusually importunate in their affairs here in the country during the recent months. Aside from an authorization to obtain still more property in Reykjavik, they now seem to be placing special emphasis on increasing their activities in the air and on the sea around the country on the behalf of parties other than the Soviet military, but as is known from news reports the traffic of Soviet submarines and military aircraft has greatly increased around the country during the last months.

This fall, it was planned that the minister of fisheries, Steingrimur Hermannsson, would make an official visit to Moscow. When it came close to the time for this trip, which later was postponed, the Soviets reiterated, more emphatically than before, their request for experimental fishing around the country and for the necessity of some kind of bilateral agreement regarding air matters between the countries.

MORGUNBLADID's sources say that Icelandic authorities do not intend to grant the Soviets experimental fishing rights around the country, and there is a plan afoot to establish special regulations regarding research within the Icelandic economic jurisdiction, in order to ensure more securely the handling of everything that has

to do with such research and the granting of permits for such research. In 1977, an agreement was signed between the governments of Iceland and the Soviet Union regarding cooperation in the field of fish conservation and fisheries, and the Soviets are now referring to that agreement to support their requests for experimental fishing, but the requests have come forth in a common committee that was founded by the 1977 agreement.

When the Soviets have presented requests for some kind of cooperation with Icelanders in the area of air matters, they have, up to now, been given an answer to the effect, according to sources, that based on the need for transportation by air between Iceland and the Soviet Union, the service agreement between Soviet authorities and Flugleidir h.f., regarding service of Soviet aircraft landing at Keflavik Airport, is sufficient. According to international agreements, it is not possible to deny the Soviets landing rights at Keflavik Airport under normal conditions. It should be mentioned, however, that early in 1980, shortly after the invasion in Afghanistan, service people at Keflavik Airport refused to service a Soviet aircraft which was on its way to Cuba. No Soviet aircraft has landed in the country since then.

It is in the power of the minister of justice to handle the request of the Soviet Embassy concerning the purchase of the property at Solvallagata. There has been some delay in the minister's expediting of the matter, as there is said to be great anger and unrest among the residents of the neighborhood because of this matter.

#### Improper License Tags Charge

Reykjavik MORGUNBLADID in Icelandic 11 Dec 81 p 2

[Article: "Soviet Watchmen at Solvallagata?"]

[Text] In continuation of a report in yesterday's paper to the effect that the Soviet Embassy had made a request to the Ministry of Justice to buy a home at Solvallagata in Reykjavik, a resident of that street contacted MORGUNBLADID. He said that the neighbors had noticed that a car with the license plate R-61711 parked outside this particular house every night. This car is registered with the Soviet Embassy and does not have the CD tag--the letters for the diplomatic cars. It seemed as if the embassy people kept a night watch at the house. Also, a car with the CD tag, R-66684 is parked in a garage belonging to the house.

As was stated here in MORGUNBLADID yesterday, foreign embassies need an authorization from the minister of justice in order to purchase property here; they can, however, rent houses and apartments without an official permit.

#### Home Purchase Details

Reykjavik MORGUNBLADID in Icelandic 12 Dec 81 p 15

[Article: "More about the Soviets at Solvallagata"]

[Text] MORGUNBLADID has received the following remarks from Ragnheiður Briem:

Because of recent reports in MORCUNBLADID concerning the potential purchase of a house at Solvallagata by the Soviet Embassy, I would like to have the following remarks published:

- (1) It is not the Soviet Embassy but the Soviet commercial attache in Iceland who wishes to purchase the house at Solvallagata 55.
- (2) The house is to be used for the staff of the commercial attache who now are living in rented apartments in the western part of town. One of them, for example, is living at Solvallagata 64, a few hundred meters away from the house at Solvallagata 55, and his presence there does not seem to have aroused any particular "anger and unrest" in the neighborhood up to now.
- (3) The staff of the commercial attache will neither be increased nor decreased, even if this purchase is authorized. On the other hand, there should be an increase in the available rented property in the western part of town, as the plan is to make 4 or 5 apartments at Solvallagata 55.
- (4) The sales contract between the commercial attache and the owners of the property at Solvallagata 55 was signed with the contingency that the authorization of the Icelandic authorities would be granted for the purchase of the property, but the house was vacated and handed over on 15 September this year. The owners specified that the house would not be left vacant, and therefore the staff of the commercial attache now take turns living there. That appears to be the explanation of the cars outside the house and the so-called "night watch." It may be mentioned that according to the contract, the commercial attache has full authority over the property for a certain period of time, while awaiting the answer from the minister of justice.

On behalf of sellers,

Ragnheidur Briem

9583  
CSO: 3111/16

## PROFILE OF CLAUDIO PETRUCCIOLI, NEW EDITOR OF 'L'UNITA'

Rome L'ESPRESSO in Italian 13 Dec 81 pp 36-38

[Article by Cristina Mariotti: "The Sorrows of Young Claudio"]

[Text] For a "book-worm" like Claudio Petruccioli, participant in the 1968 student riots, now barely 40 years old, the appointment as director of L'UNITA came almost by surprise. And it frightened him. At least so they say. Should you believe them?

Rome--He is 40 years old and the new director of L'UNITA, the communist party daily newspaper which soon will complete 40 years of legal existence. As of last 7 October, Claudio Petruccioli, Umbrian by origin, Roman by training, Milanese by adoption, and by general agreement a follower of Ingrao, runs the paper that was also directed by Pietro Ingrao.

He is a typical example of the rising star, but with a curiously atypical career, at least with respect to the old criterion of party orthodoxy. "I hate the expression 'rising star,'" Petruccioli declared. "It presupposes on he who accepts it an arrogant self-assurance that portends nothing good." Rather, Petruccioli admits that the great responsibility devolving upon him "scares him to death." Who are his models? Amendola "for uncompromising courage," Bufalini "for pedagogical patience," Pajetta "for his creative restlessness," and above all, Ingrao: "extraordinary for his transparent capacity to marvel at things." Petruccioli hopes to produce a paper whose "political language acquires the certain and unmistakable meaning of a scientific communication," as he says, echoing the philosophere Galvano Della Volpa whom he admired in his youth. And he adds--paraphrasing Luigi Albertini, the most famous director of the CORRIERE DELLA SERA--"A great daily newspaper is like a transatlantic liner; it takes time and effort to change its direction, even by only a few degrees."

There was another candidate for the directorship of L'UNITA, Achille Occhetto, political mentor of the young Petruccioli in the 60's. In 1962 Occhetto gave up the post of vice president of UGI (union of university students) to Petruccioli; he was named by an older Occhetto as one of the directors of the FGCI [Federacion of Young Italian Communists] when the latter became secretary; and Petruccioli replaced Occhetto in that position when Occhetto went over to the Press and Propaganda Section.

The career of Claudio Petruccioli began at age 22 as secretary of a youth federation in which the party fostered the political talents which were to provide the first post-Stalin replacements. Among the young persons under observation were: Giulio Quercini, today secretary for Tuscany; Riccardo Terzi, in charge of the Milan federation; Giancarlo Borghini, and..." We were the generation of the new managers," Petruccioli recalls. "The party watched over us with the care of a gardener experimenting with new shoots. Amendola and Alicata came to our meetings to listen to us and we spoke with them freely."

These were the years of youthful ferment that a little later coalesced into the explosion of 1968. Thus, the young Petruccioli, son of a railroad man from Foligno, landed at Rome as a boy from the country. "And he even looked it," a friend recalled. "He wore ugly striped cardigans and had a terribly serious manner." Attracted by the illusion of high politics, he quickly learned the way the party worked. "What Togliatti had made us dream of!" he stressed. But for that dream Petruccioli, a philosophy student, was forced to give up another dream, the dream of a university career. Thus, he abandoned the university "and teachers such as Ugo Spirito, Ettore Paratore, Federico Chabod. The truth is I did not like to do things by half."

Enamored of learning, "he was a real book-worm," his former fellow students said, "one who might be able to translate the entire 'Aeneid' for the Latin examination." Nevertheless Petruccioli did choose politics. In 1963 he assumed the directorship, along with Pio Marconi, of his first paper, CITTA FUTURA [FUTURE CITY], a monthly publication. "We acted like leftist extremists until Togliatti gave us a dressing down," Marconi recalled. "It was at the PCI organization conference at Naples. Togliatti, passing judgment on our paper, said it was 'funereal' and 'abstract.' That meant ugly and dangerous. With Petruccioli, we were completely humbled. Americo Terenzi, editor of the communist press, raised our morale by saying to us 'It's all publicity, boys.' In fact CITTA FUTURA increased its circulation a little." But the sorrows of young Claudio began in the autumn of 1968 immediately after the FGCI congress at Ariccia. On that occasion Petruccioli, former secretary of communist youth, and also very harsh with heretics (recall the expulsion of Paolo Flores D'Arcais for Trotskyism), gives in to the fascination of the student revolt and proposes amalgamating the FGCI with the "movement": "Young militants would not all, nor soon, be communists," he explained in a summary of the congress theses appearing in RINASCITA of 4 October 1968. "The task of conquest belongs to the party." This meant, in effect, let us tear down the representative hierarchy; let us institute a double membership (one for the FGCI and another for the PCI), and let us replace the "structure of circles" by a structure of "collectives," mobile organizations, above all, not permanent ones. It would obviously have been a kind of suicide for the FGCI organization.

In that conversion to mass action, Petruccioli had the approval of Luigi Longo, who was dedicated to the ideas of the Third International, and who thought he saw a revolutionary potential in the student movement. That authoritative backing did not suffice to save the FGCI leader from utter ruin. In a hail of criticism, first of all from Paolo Bufalini, whose "infinite pedagogical patience" Petruccioli humbly praises today, the young secretary was "recalled" by the party and banished to the Abruzzi. Even his friend Ochetto, who at the same time had proposed "political strikes," that is, the freedom of the party to proclaim strikes without the trade union, to the intense irritation of Rinaldo Scheda and the CGIL [Communist-dominated Italian trade union], left for the south, for a golden exile in Sicily.

As regional secretary at Pescara, Claudio Petruccioli arrived right in the middle of the controversy over the provincial capital: L'Aquila or Pescara? The PCI came out in favor of Pescara. Many of the Abruzzi leaders did not like Petruccioli: what has he come to do here, this young intellectual who has destroyed the FGCI? "I was not prepared for such a demanding political test," Petruccioli commented, "At all events, I made some mistakes." His probation in the Abruzzi ended with a clamorous incident. While he was away on other business, a handful of ruffians set fire to the PCI federation of Aquila. A few comrades only succeeded in getting out unscathed thanks to police intervention. At that time of party vigilance, pickets, special guards, the party was enormously outraged. In consternation the leaders deplored, "But such a thing never even happened at Reggio, even during the Boia revolt." All the federation secretaries of Italy were summoned urgently and Armando Cosutta thus warned them: "The party's banner must be defended even at cost of one's life!" Petruccioli was seated to one side, like a schoolboy banished to the back seat, or as a defendant in a case under investigation. Only the elderly Abdón Alinovi attempted to put the situation in perspective by recalling, "During a meeting at Avellino in 1948 some monarchists set fire to my platform; I continued speaking for awhile, but when the flames were licking at my feet, I hurried away. Hell's bells! I certainly wasn't the captain of a ship..." Once again Petruccioli packed his bags, with Milan as his destination. It is the city of Cossutta, Cervetti, and Margheri, guardians of the party's most rigid orthodoxy. The beginnings were not easy. Comrades hummed a comic verse to the tune of La Cucaracha, beginning like this: "Here comes the hot shot; here comes the hot shot..." Petruccioli admitted, "I was in the position of dealing with difficult but instructive matters, and I am still grateful to the party for the decision it made for me." First he worked at the regional secretariat. Someone maliciously maintains that Petruccioli's stock was so low then that when he became a candidate for the RAI [Radiotelevision] board of administration, the party chose Ignazio Pirastu, rather than Petruccioli. In 1975 Petruccioli secured the position of vice director of L'UNITA. He held it for 7 years, with Luca Pavolini and then with Alfredo Reichlin at the head. In those years he wrote very harsh condemnatory articles about the phenomenon of autonomy, and of terrorism. The heroic story of his cousin, Oreste Scalzone, who is in hiding today, creates problems for him, "but only personal ones." Petruccioli said, "He was with me in the FGCI. I thought I knew him. But when I read in an interview that, according to him, life had no value but counted only for the way it was lived, I realized that for me Scalzone had become unknown."

Not religiously inclined, even if his father was so Catholic that he stopped voting for the PCI in order not to be excommunicated. Petruccioli maintains that respect for others is his first commandment. However, at Milan he learned party discipline well from him. He was married in Milan to Giovanna Nuvoletti, a countess and photographer with two children. One day Reichlin said to him, "I mentioned you for the succession at L'UNITA." Petruccioli recalls, "I only learned that I was named director when Berlinguer announced it officially at the Central committee." The period of exile is over.

## SOARES ATTACKS PCP, AD ADMINISTRATION

Lisbon O JORNAL in Portuguese 15 Jan 82 p 5

[Text] At a press conference held yesterday, Thursday, by his party's Political Commission, Mario Soares declared: "We are witnessing the brewing of a coup movement and an atmosphere that is unclear from a democratic standpoint. The PCP's [Portuguese Communist Party] adventurism is being met with an atmosphere of anti-democratic conspiracy from the extreme right; both of which are disturbing signs in the international context."

That leader stated: "PS [Socialist Party] condemns the PCP's adventurist policy aimed at causing radicalized situations involving breaks which do not serve the working classes, because they are not directed toward political alternative solutions capable of solving the latter's specific problems. Therefore, PS does not back the general strike proposed by CGTP/IN [General Federation of Portuguese Workers/National Intersindical] for 12 February." He claimed that PCP "is seeking to make a tool of the president of the republic and the Council of the Revolution, in order to prevent the constitutional revision."

Continuing his attacks, Mario Soares said that the Communists "in the service of interests which go beyond Portugal, and which are part of a global strategy that now has been repudiated even by the Communists of various European countries," are "once again counting on the division and bipolarization of Portuguese society, and are engaged in a frenzied activity which, if it is successful, would lead the country into the dilemma of 1975 again."

#### Criticism of the Government

The government's action is also challenged by the PS secretary general, owing to the "great dissatisfaction among the people" which is "spreading in all sectors." The business owners, merchants and farmers are as dissatisfied with the Balsemao government as the workers are, because "AD's [Democratic Alliance] promises have not been kept. The problems of living are increasing unbearably every day. In 2 years of AD government the cost of living has risen 40 percent. Today, the living conditions are worse than before AD was in the government." Meanwhile, "the escalation of prices is not stopping, and is unbearable for the overwhelming majority of the population." Now, "this situation is not merely a result of the international crisis; it stems directly from the AD government's options and its conservative policy of making the crisis fall upon the workers."

Furthermore, "the Balsemao government does not know how to hold dialog with the social partners. Hence the difficulties in collective bargaining and the increase in strikes, some of which, such as that of the transportation workers, are being indirectly fostered by the government for the purpose of dividing the workers. But by acting in this manner it is playing with fire." In this respect, "stress should be placed on the threat of the labor package, which evoked a just reaction from the labor movement, and the announcement of a national strike on the part of UGT [General Union of Workers], for the time when its discussion begins in the Assembly of the Republic."

Citing the main weaknesses of the present executive branch, Mario Soares indicated therein "a lack of consistency," "obvious splits in the coalition (CDS [Social Democratic Center Party] is attempting to make the burden of all the government's mistakes and incompetence fall on PSD [Social Democratic Party])," "growing loss of prestige of the prime minister," "progress of shady dealing and corruption," "paralysis in public administration," and "a widespread feeling that AD is finished, simply not knowing who will issue its death certificate."

#### Risk of Institutional Crisis

However, the most serious aspect is that "the lack of a horizon of hope among the Portuguese people" entails running a "risk of converting a government crisis into a crisis of the democratic institutions and of the party system."

The continuity "of the present government will drag the country into a far more serious situation that would be dreadfully dangerous to the stability of the democratic institutions." Therefore, it is important "to uphold the democratic regime that emerged from the April revolution (which is a semipresidential, pluralistic and multiparty regime), and not to allow the economic and social situation to continue and deteriorate, so as to jeopardize the constitutional order of the republic."

#### Causing the Fall Is Not Enough

Nevertheless, the fall of the government "is not contingent on PS." But "causing the fall of the Balsemao government is not enough. It must be determined what the alternative policies required for surmounting the national crisis are. And what government, backed by what majority, will replace it? This is the fundamental point." Hence, "PS, ever ready to assume its responsibilities, has declared that it will not agree to form a government until after new legislative elections that are favorable to it. This is why PS is intensifying the opposition to the Balsemao government, establishing very concrete sectorial alternative policies, around which majority consensuses can be arrived at."

#### Questioning and Censure Vote

In the Assembly of the Republic, there will now be demanded by the Socialists "a questioning of the general policy, which will possibly end with a motion for censure." At the same time, it will carry out "the movement of claims, through its company cells and its militants;" and it will hold "PS rallies in all the district capitals, beginning in Lisbon at the Sports Arena on 29 January, and in Porto on 5 February, at the Athletic Arena."

In response to the reporters, Mario Soares denied the existence of any concessions to AD in the area of constitutional revision, in exchange for support to its candidate for the presidency. Almeida Santos, for his part, gave assurance that the dissolution of Parliament would not prevent the constitutional revision, but only postpone it.

2909

CSO: 3101/20

## PS PESSIMISTIC ABOUT VIABLE GOVERNMENT IN NEAR TERM

Lisbon O JORNAL in Portuguese 15 Jan 82 p 5

[Text] At the meeting of the PS [Socialist Party] National Commission, at which the press conference now granted by that party (see report elsewhere) was set up, Mario Soares reportedly admitted that PS has not yet established itself as an alternative to the AD [Democratic Alliance] government. The Socialist leader does not expect it to become such until the medium term.

For this purpose, as opposition, it will adopt a new style of action, aimed mainly at the community's concrete problems. In the view of the Socialist leader, the present executive body could fall as a result of the dissolution of the Democratic Alliance, after the constitutional revision has ended. The pressure for action in that direction from the right of CDS [Social Democratic Center Party] will surely mount until the final break.

## Four Basic Speeches

The aforementioned meeting, which lasted for 2 days, had four basic speeches: those of Mario Soares and Almeida Santos, for the majority; and those of Vitor Constancio and Joao Cravinho, for the minority. According to the arrangements made at the meditation meeting held some time ago at Nafarros, the minority, as everyone knows, was allowed to speak in the National Commission without any time limit.

Throughout the activity, Mario Soares assumed a mollifying tone, and there were no serious confrontations. In his analysis of the political situation, the PS secretary general stated his conviction that it would evolve rapidly, owing to the presence of serious dissatisfaction among the people and great discreditation of AD, caused by the sharp rise in prices, the unemployment, the inflation and the labor package.

Dwelling on who would capitalize on that dissatisfaction, Soares admitted that, in part, it would be PCP [Portuguese Communist Party] (however, its electoral "ceiling" will not exceed 20 percent), the president of the republic (but Eanism is not a solution) and perhaps the extreme right (which has no electoral voice).

However, Vitor Constancio regarded Soares' view as optimistic, inasmuch as there has been a discrediting of democracy and of the political parties, and a marked skepticism regarding their ability to solve the major national problems; a discreditation and skepticism which have also affected the Socialists.

The dissolution of FRS [Socialist Republican Front] has also reduced the PS space; a fact which will have to be taken into consideration. Vitor Constancio stressed that it would be unrealistic to expect the differences between the two PS movements to disappear; merely because, with regard to its major options, the party will have to decide which program measures it cannot abandon with respect to any government.

On the other hand, Vitor Constancio and Joao Cravinho appeared to have considerable reservations concerning the possibility of PS's acceding to the government over the short term. However, they agreed with the new type of opposition to be carried out, which Mario Soares announced at his meeting with the reporters. According to Cravinho, the current crisis is not merely political; it is economic and social.

Almeida Santos enlightened those present regarding the revision of the Constitution, and Torres Couto did so regarding labor union problems, expressing opposition to the Inter's [Intersindical Federation] calling of a general strike, which PS would, moreover, publicly condemn.

#### Council of 'Spokesmen' and Not 'Shadow Government'

In the rearrangement proposed for the party's internal structures, it was decided to create a Council of Spokesmen, inasmuch as the conventional "shadow governments" entail a major drain on their members.

The Electoral Technical Commission was also appointed for the local government elections, comprised of Eduardo Pereira, Jaime Gama and Jorge Campinos; and the Office of the Electoral Technical Commission was established. When invited to join it, Serras Gago, Helena Torres Marques and Jose Niza refused. Maria Irene Campinos (for statistics), Miranda Calha (local government support), Antonio Campos (regional coordination), San Bento Menezes (training), Almerindo Marques (administration) and Jose Neves (logistical backup) are its members.

Finally, there were elections for the commission in charge of preparing the Local Governments Convention, and those chosen were Gomes Fernandes and Antonio Esteves (from the former secretariat), as well as Antonio Campos, Antonio Janeiro and Miranda Calha.

The intensification of rallies to be held in all the district capitals, with emphasis on those in Lisbon and Porto, will be given general effort, as a means of offsetting the failure of the session held at the Europa movie theater in Lisbon on the events in Poland.

1969

CSO: 3101/20

## TOP MILITARY BRASS EXPRESS UNEASE ABOUT VARIOUS ISSUES

Lisbon O JORNAL in Portuguese 15 Jan 82 p 10

[Article by Cesario Borga: "Egidio, Gama and Altino Under Cross-Fire"]

[Text] According to what we have learned from various sources, the debate on the Armed Forces statute, after the constitutional revision, is being followed with growing concern by a large number of the professional military. What is now termed a "second Melo Egidio document", the controversial proposals disclosed by Jaime Gama and recent statements by Gen Altino de Magalhaes are the leading reference points. More timely matters, such as the reequipping of the Armed Forces (with emphasis on the recent aircraft purchases) and the hypothetical imminent replacement of the chiefs of staff of two branches of the Armed Forces, are reportedly also in focus. The "Melo Egidio document" submitted in the Assembly of the Republic is a study of the Constitution of 1976, "in areas related to the national defense," which proposes to the deputies the inclusion in the constitutional text of restrictions on the rights of the military as citizens, specifically those of assembly and association, in addition to upholding a similarly restrictive special statute for the civilian officials serving in the military establishments.

Jaime Gama's proposals called for the subordination of the entire military apparatus to the defense minister; while, in the statements that he made a week ago at the Institute of National Defense, Altino de Magalhaes described the social conflicts as opposing national unity.

Most of the military, including the more conservative, rather unhappy at being considered public servants in the documents prepared by the PS [Socialist Party] Office of Studies, reject Jaime Gama's proposals. Members of the military more devoted to the study of defense problems claim that the Socialist leader has not considered the semipresidential nature of the regime when he imitates the defense organization of the Western democracies for the Portuguese situation.

**'Melo Egidio Document': a Rambling Route**

The "Melo Egidio document", currently evoking expressions of support and dispute in military circles, followed a circuitous route before reaching the parliamentary groups and being released to the public.

As early as the development phase (the end of September and beginning of October), the chief of the general staff is said to have informed the Council of the Revolution

regarding the preparation of that study. Despite the opposition of certain Council members, the commission which was preparing it continued working. Among the experts questioned, there were some who challenged the submission of the document to the Assembly of the Republic, an act which could hardly fail to represent a form of pressure on the deputies. On the basis of this theory, the document would only enable the General Staff to respond promptly to any request for consultation on the part of the members of Parliament. According to what we have learned, the study was completed without a completely determined external destination. But Gen Melo Egidio showed it to Oliveira Diaz at an informal meeting which took place when Eanes was on a visit to Mozambique. Oliveira Diaz, who on that occasion was temporarily assuming the presidency of the republic, expressed great interest in analyzing the document. Later, the CEMGFA [Armed Forces Chief of Staff] sent it to him officially, and he distributed it among the parliamentary groups. The Office of the President of the Republic and the Council of the Revolution also received copies. However, the document was not sent to the Ministry of Defense until last Friday, 8 January.

The public release of the study was reportedly not in the CEMGFA's plans. It is a document classified "restricted" and its release by a government agency and the showing of the first pages on television shocked some of the military who had collaborated, either directly or indirectly, on the respective preparation. According to them, the nationalized news media violated the democratic groundrules by not refraining from releasing a classified document.

#### 'Restrictions Are Essential'

The military who reflect the views of the sectors backing the document stress that the proposed restrictions are essential to the pursuit of the Armed Forces' objectives stipulated in the Constitution. Hence, they are of the opinion that, without restrictions on the right of assembly and association, specifically insofar as union organization and the right to strike, party affiliation and freedom of speech are concerned, accompanied by a reinforcement of the commanders' disciplinary powers, it would be difficult, or even impossible to demand of the professional military total reserve status, and sacrifices in peacetime, without special financial incentives, and the gift of their lives in wartime. They also deem it in the national interest for many of the proposed restrictions to be applied to the civilian personnel serving in the military establishments, because they consider activities of a union organization nature interfering with the troops' readiness for combat to be unbecoming the function of a military corps. Furthermore, they think that the restrictions should even go so far as to ban organizations such as the "Commanders' association" which is active, or the "association of the April militiam" which is being formed,

#### 1. South American Concept of the Armed Forces

On the other hand, the sectors critical of the document depict it as a monstrosity in a country which, on 20 April, was liberated from the Prussian concepts of military ethics and organization of the Armed Forces. According to these sources, the document reflects the inability of the predominant sector of the generals to have a command based on prestige and dialog, preferring "ironclad commands" for which both slight and major problems are surmounted by disciplinary and preventive imprisonment.

They claim that the document proposes a South American concept of the Armed Forces, whereby security is cleverly mixed with defense, in a country where the notion of "security" is closely linked with surveillance of the citizens and repressive action. And they accuse the document of seeking to bring about a retrogression of the administration of military justice to the point at which it stood on 24 April, when it was entirely controlled by the interests of the upper echelons. Finally, they stress that the approval of the proposed restrictions would convert the military into uniformed "bullies" predisposed toward solving internal crises through intervention, aimed at extending the restrictions to the citizens as a whole. However, the concept of security is different among the supporting sectors, which claim to consider the concept employed by the document to be the nation's external security and not the solution of problems involving public order.

#### Cautious Positions of the Parties

This "debate" which has been instituted in offices and messes through informal talks is meeting with a deaf response in civilian circles, especially among the political parties which are reacting cautiously to the "Melo Egidio document".

The chairman of the constitutional revision commission, Borges de Carvalho, accepted the introduction of a general constitutional ruling on the restriction of certain rights to citizens in uniform. But PCP [Portuguese Communist Party] is the only party thus far which has voiced a public position, with the view that "provisions restricting the liberties, rights and guarantees of the military and the civilian workers of the Armed Forces" are "not suitable;" although it regards certain limitations in that area, "specifically in the realm of partisan activity" as being "justifiable."

Meanwhile, last Tuesday the parliamentary commission for constitutional revision completed its assessment of the bills to change Article 275, relating to the Armed Forces.

1909  
CSO: 6101/20

**U.S. CLAIM ON MOSCOW'S USE OF CHEMICAL WARFARE AGENTS CHALLENGED**

Hamburg DER SPIEGEL in German 11 Jan 82 pp 88-89

[Text] Using a leaf and a twig for evidence, the U.S. Government tried to prove that Moscow is using chemical warfare agents. U.S. counterarming with such weapons is said to be imminent.

The U.S. secretary of state had once again moved too quickly. When initial reports about secret laboratory tests started leaking from the State Department to the U.S. press, he let himself be carried away to making this statement: "We have absolute proof from Southeast Asia that the USSR and its allies are using lethal chemical warfare agents." For the benefit of the accused governments he said: "The use of such toxic weapons is prohibited by the Geneva Convention of 1925."

He said this during his visit to Berlin on 13 September 1981. The evidence produced shortly thereafter by Haig's assistants in the State Department seemed unimpressive: a leaf and a twig "from a shrub or a tree somewhere on the border between Kampuchea and Thailand." Nothing has been added to this evidence during the last four months.

Washington announced that laboratory tests had shown that the pieces of vegetation concerned had been attacked by three mushroom poisons, so-called mycotoxins; Soviet transport aircraft of the Antonov An-12 type and Soviet-built helicopters with Vietnamese markings were said to have sprayed these poisons in the form of a "yellow rain."

The State Department identified the "several thousand" victims as members of the Hmong tribe of Northern Laos, who had fought on the U.S. side during the Vietnam war. Washington also gave a detailed description of the symptoms caused: "Confusion, fainting, coughing blood, shock and death of those who came into direct contact with the spray."

Moscow's Tass news agency reacted to these accusations in the usual manner: "Malicious slander and anti-Soviet farce."

Of much greater importance appeared doubts expressed by renowned experts in chemical and biological warfare, which the U.S. Government has been unable to contradict to date. "I have difficulty in believing this," said Harvard University's biologist Matthew Meselson. From a scientific standpoint, he declared, it was "monstrous" to draw such far reaching conclusions from a sample.

His British colleague Julian Perry Robinson of Brighton University agreed with him: the State Department's method of proof, he said, was "surprisingly maladroit."

The researchers specifically took issue with two of the State Department's claims:

--"These mycotoxins are not known to exist naturally in warm climates, such as in Southeast Asia."

--Three different mushroom poisons being found on a single plant prove that these toxins had been brought in from somewhere else.

Said researcher Robinson to SPIEGEL: "Even a cursory examination of the scientific literature proves that this is incorrect." Mycotoxins, he indicated, are found on plants in practically all types of soils and climatic zones--from the Arctic permafrost to the Sahara.

Also, the literature proved as long ago as 1972 that two toxins can occur in the same plant at the same time. In fact, a French study even described three different mycotoxins as occurring in a naturally decaying type of wheat.

The British researcher gently hinted at the reasons for Washington's accusations against Vietnam and the USSR: during the current month, probably in his State of the Union address of 26 January, President Reagan intended to announce increased expenditures for chemical warfare agents. The cost for the first 5 years of this program: \$8 billion.

There is no doubt that both world powers already have extensive arsenals of chemical weapons. But in 1969 when 6,000 sheep were killed in a chemical warfare test in Utah, Washington halted the production of new chemical warfare weapons. Counterarming in this area could produce a new conflict between Washington and Bonn; some U.S. chemical warfare agents are stored on FRG territory which have been obsolete for a long time.

If it were true that the Soviets had not only produced, but actually used chemical weapons, this would constitute a strong argument for counterarming with chemical warfare agents. That is why the U.S. Government had already sent a team of experts last October to the capitals of the principal NATO allies to repeat their accusations against Moscow. However, this group was unable to produce convincing evidence to the governments and selected journalists.

On 22 October Assistant Secretary of State for East Asia John H. Holdridge announced that tissue samples from autopsied guerilla bodies in Kampuchea were available. No results are known to date.

Shortly thereafter Richard Burt, director of the State Department's division of political and military matters, declared at a Senate subcommittee hearing: "We now have unequivocal proof." Harvard professor Meselson contradicted once more: "There continue to be serious doubts about the validity of the government's evidence."

At lectures in America Houses at the end of 1981, U.S. journalist Sterling Seagrave presented excerpts from his book "Yellow Rain" (Sterling Seagrave: Yellow Rain, A Journey Through the Terror of Chemical Warfare," M. Evans and Company, New York

1981, \$11.85), which, whether by accident or design, had been published at the exact moment of Haig's Berlin speech. In his book, Seagrave, who remained in contact with U.S. intelligence services during his research activities in Southeast Asia and Afghanistan, repeats the U.S. administration's claims about the use of chemical warfare agents. He too was unable to present convincing evidence.

The American government received its next disappointment from a UN group of experts last November. On orders from Secretary General Waldheim this four-man team, led by Egyptian expert Major General Dr Esmat A. Ezz, was to investigate the accusations at their place of origin. These researchers too were unable to find proof for Haig's conard.

In their report to the UN General Assembly the experts report that they had been given access only to refugee camps in Thailand. But there they could not even find the refugees which the State Department had identified as eyewitnesses of the use of chemical warfare agents.

Camp physicians did not present any victims to the UN researchers whose illnesses could be unequivocally connected with the use of chemical weapons.

Now the U.S. Government has received unwelcome support in its search for proof of the use of chemical warfare agents: Robert K. Brown, editor of the magazine for soldiers of fortune and adventurers, SOLDIER OF FORTUNE, promises \$100,000 to any Soviet or Vietnamese pilot who would defect to the West with "lethal chemical and/or biological agents."

9273

CSO: 3103/218

## DEPUTY MINISTER ON ARMS SOURCES DIVERSIFICATION

NC031702 Athens I AVYI in Greek 3 Feb 82 p 3

[Text] In an interview with I AVYI, Deputy National Defense Minister Y. Petsos has stressed that one of the government's basic aims is the diversification of sources for the supply of military equipment for the country's armed forces.

Mr Petsos did not rule out the East European countries as future suppliers and-- answering a relevant question--said that the main criterion in changing orientation for the supply of military equipment is the quality of the equipment and diversification of sources.

Mr Petsos added, however, that any dependency on foreign countries is an unfavorable factor and, for this reason, the government aims at developing our own war industry.

Today and tomorrow the deputy minister will conclude his discussions with French Deputy Minister (Martre), who is director of the French war industry. These discussions fit precisely within the framework of the efforts to diversify the sources of supply of war equipment, which is the main topic of the interview to I AVYI.

Question: What are the government's intentions today in the field of arming the armed forces?

Answer: The government will not spare money in arming the armed forces. The modernization of arms for our country's armed forces is one of the government's basic targets so that we may maintain a high degree of defense capability against the well-known foreign threat from the East.

Question: At what stage are the negotiations over changing the source of arms supplies to the country?

Answer: The government is trying to achieve diversification of supply sources for the basic equipment of the armed forces. Every supply of basic equipment is considered in accordance with this principle of diversification.

Question: How radical can this change of orientation be? For instance, can the socialist bloc countries become our arms suppliers?

Answer: This change in orientation is realized, having always as criterion the quality of the equipment and the diversification of the supply sources.

Question: What does it mean for the government and how easy is the change of supplies?

Answer: Changing the supply sources is not easy, because diversification of the equipment causes support problems. Besides, it is well known that the armed forces equipment must have some standardization so that its maintenance may be facilitated.

Question: How do you describe the path, which the rightwing governments have followed thus far, in having our armed forces dependent, in the field of armaments, on the Western military industries?

Answer: Any dependency of a country's defense armaments creates difficulties in declaring an independent policy. For this reason, the gradual development of domestic war industry is the government's main task.

Question: Will our people pay only for our national defense, or will they contribute, and specially how much, to expenditures by NATO?

Answer: This issue is being personally handled by the prime minister and, since the state budget's debate has not yet begun in the chamber of deputies but only the negotiations on various NATO problems, I do not have the right to talk to you in this connection.

Question: From the inspection you have conducted until now in the war industries, what is your conclusion about their operation before, now and in the future?

Answer: The war industries in Greece, although they are organized on the basis of the principles of private industries, have many variations from them.

There are war industries which operated and still operate with a profit. However, there are also industries which were established on the basis of some military expediency and have not made any profits as yet. We will strengthen these industries by assigning work to them so that they may soon become profitable units.

CSO: 4621/159

## BRIEFS

REPORT ON MILITARY AIRCRAFT DENIED--The Greek Government has not reached any final decision on the type of the fighter aircraft with which it will be supplied. This is included in a statement by the national defense ministry issued because of a relevant press report. The statement adds that the question of choosing the type of the fighter aircraft is still under the purview of a special committee of the national defense ministry after having taken into consideration operational, technical, financial and possible dangers criteria. At the same time, the government has discussed and is still discussing the question of supply with other governments without having undertaken any commitment, the main question under discussion is the offering of more financial exchanges in the event of supply. The government's final decision will be based on the proposals by all companies, the proposals of the relevant committee of experts and on the counterbalance benefits being offered solely in the interest of our country. Consequently, the press report about reconsidering the order for mirage 2000 and that relevant military quarters prefer the F-16 aircraft is completely unfounded, the national defense ministry statement concludes. [Text] [NC032007 Athens Armed Forces Radio in Greek 1900 GMT 3 Feb 82]

CSO: 4621/159

## ARMY'S PROCUREMENT PLANS, THEIR ADEQUACY VIEWED

Bonn WEHRECHNIK in German Nov 81 pp 77-92

[Article: "The Swiss Modernize — Discussion of Swiss Armament Programs"]

[Text] In its October 1978 issue WEHRECHNIK presented a detailed national portrait of Switzerland with reports about the mission and organization of the armed forces, about armament programs and about around 40 Swiss firms active in the defense area. In the last three years the armament sector of our southern neighbor has been very active — "armament" has, as here, become a subject of discussion. [This was sufficient] reason for the editors of WEHRECHNIK in the course of several visits to the Swiss defense ministry and industry to inform themselves about new programs, about changes in the armaments organization and, in particular, about the evaluation of the M-1 and Leopard 2 battle tanks. The following contributions make it clear that the Swiss armed forces and the armaments industry are faced with almost the same problems as we in Germany. Only the consequences to be drawn appear somewhat different.

Anyone in Germany who attentively follows the reporting and commentary in the daily and weekly press can note that while visiting Switzerland similar topics also predominate in its press — defense questions, strategic balance or lack of it, armament and disarmament and armament programs are discussed more than in previous years. But, and this must be noted, more factually and less emotionally than in Germany. Switzerland does not presently have a long-running topic such as our Tornado program but, for a long time, there was the topic of "defects in the (native development) Panzer [tank] 68" which — as in the Federal Republic — quickly expanded to a (press) discussion about the effectiveness of the armaments department or Group for Armament Services [GRO] in the Federal Military Department [EMD], the Swiss defense ministry. In this case parliamentary initiatives have since led to some changes, discussed below, with the result that the "armaments discussion" has died down for the present. But, in a talk with WEHRECHNIK, Corps Commandant (Lieutenant General) Joerg Zumstein, chief of the general staff of the Swiss Army, said: "The press leads one to think that we live in a time when no one wants to defend himself. But the picture among the people and the troops is different." This is an opinion also emphasized by the defense minister (chief of the EMD), Federal Councillor Georges Andre Chevallaz, when asked about his frequent visits — practically one day every week — to the troops. His opinion is: "I am satisfied with the spirit of the young people."

The armed forces (a militia system with around 600,000 soldiers recallable within 48 hours, about 1,800 of these being career officers and about 30,000 conscripts each year undergoing four months of basic training, three-week maneuvers each year — thus a total of 12 million service days per year for over 400,000 soldiers in training) also have sufficient noncommissioned officers and officers. Chevallaz attributes this to the good influence of the commanders. He places particular emphasis on combatting useless work among soldiers. "There must not be any work for work's sake."

There are no problems with conscientious objectors — about 350 per year on the average — in Switzerland. There military service is a duty just like paying taxes. Those objecting are tried and punished with several months of prison if they do not, which is possible, serve in an unarmed status with the medical or air defense troops (106 in 1980). Most give ethical or religious reasons and, in such cases, only spend the nights in jail. Military service is an old Swiss tradition. Recently the populace rejected a parliamentary initiative for an alternative civilian service.

#### Sufficient Military Expenditures?

The present world political situation is a source of great concern to Federal Councillor Chevallaz. Inequality is a reality to him, equality would be a guarantee for peace. Thus he views Swiss defense expenditures as having reached a lower limit against the present world political background. In the present legislative period (1980 to 1983) 21 percent (15.268 billion Swiss francs [SFr] including 800 million for civil defense) of the total budget is marked for national defense as compared with 20.2 percent for the 1976-1979 period but this is hardly a real increase because of inflation. The same may be said about the military investment of 7.6 billion SFr for 1980 to 1983. Formerly military expenditures amounted to about a third of the national budget but a "new policy" has now decreased this to around 20 percent. As compared with 1965, total federal expenditures have increased by 350 percent but those for military national defense by only 230 percent as compared with 270 percent for agriculture, 290 percent for transport, 550 percent for social needs and 600 percent for education and research (these being the main items of federal expenditure in Switzerland) — a development basically comparable with that in Germany. Chevallaz, who was finance minister until being named defense minister in 1980, has some sympathy for the savings efforts of his colleague but "the brake has been applied enough already" because sufficient funds are needed for an effective national defense, particularly for a good increase in equipment. The general goal is to realize the finance plan and to master the problem of cost increases, particularly in regard to the armed forces, in order to achieve the requirements for modern military equipment resulting from the army program.

#### Optimizing Armament Procurement

In recent times steps have been taken, and others are being considered and prepared, to accomplish this in Switzerland. Thus, as one of many steps, the army program as a basis for armaments needs is no longer to be tied to a fixed period. The 1990 army program had a life of 12 years and thus was the equivalent of three

legislative periods. As Chief of the General Staff Zumstein noted in a speech on "consideration of optimal armament procurement" to the Swiss Military Technical Society, it also amounted to "two to three generations of general staff chiefs, KML members and planning chiefs." (The KML is the Committee for Military National Defense. Its membership includes the defense minister (chief of the EMO), the seven corps commandants and the armament chief.) Hitherto the army plan as the sum of recognizable factors for army equipment was revised in specific areas every two years. Now four-year expansion stages are planned with the four years to coincide with the legislative periods. "This should achieve harmonization between governmental guidelines, army expansion and the legislative financial plan." The expansion stages will be defined two years prior to the legislative period with the financial limits being established simultaneously. Supplements to or cuts in this financial framework will continue to be possible. Thus the investment disbursement portion of 9.8 billion Sfr in the present legislative period has been trimmed to 7.6 billion — without, according to General Staff Chief Zumstein, having to do without important procurements.

Overall the influence of parliament on armament decisions is stronger in Switzerland than in many other countries. Professor Doctor E. Ruehli of the Institute for Industrial Economic Research of the University of Zurich is [the author of] a very readable report (which contains a great deal applicable to Germany) on the "Organization of Military Material Procurement in the EMO" which was the result of a parliament contract following the difficulties with the Panzer 68. It states (Interim Report III: Concept of a Possible Solution) that: "The influence of the parliament on military material procurement ... causes significant costs to all participants. This applies in particular to the fact that the parliament makes three de facto decisions:

- first in the course of debating guidelines of financial limits for government policy for the legislative period and also, to a certain degree, in discussing its distribution by individual projects;
- subsequently when obligatory credits for individual projects are approved;
- finally when individual payment sections to realize obligatory credits are approved within the budget framework."

"Approval by parliament of armament notices (EMO procurement contracts -ed.) alone require a three-quarters of a year and the December budget vote for the coming year creates — since the possibility of cuts must be considered — a source of uncertainty. In periods of high inflation and also as a result of the understandable financial safeguards which potential suppliers have to include, the procedure of granting credits also has an inflationary effect."

Professor Ruehli feels that some things should be improved and others tightened up in order to

- again draw clearer lines of separation of powers between the executive and the legislative branches,
- to make decisions in a correct sequence,
- to achieve a gain of about one year in the armaments process,
- to concentrate on that which is really important and subject to influence at the parliamentary stage,
- and still remain within the framework of the applicable budget law and thus avoid system bankruptcy.

## Armaments Committee

Something has already been organizationally done along the lines of the Ruehli study. Since 1 March 1981 the already existing but now no longer informally active Armaments Committee has become the highest decision-making and supervisory organ in the armaments process. This Armaments Committee — which includes the chief of the general staff as president, the armaments chief and now also the training chief with the commanders of the air and air defense forces having a vote on questions of air warfare — monitors the planned progression of armaments deals in respect to technical, time and financial viewpoints. The decree also requires that a responsible person — a senior project chief or project chief — must be appointed for complex armaments projects.

Two working groups were also formed by the EDM in March and April. One is headed by Attorney Arnold Kaech, the former director of the Federal Military Administration, and is to examine the organization of the central administration of the GRD (meaning the Swiss armaments branch less the six federal armaments plants). The other expert group is chaired by Walter Hess, president of the board of the firm Zellweger AG, and is to examine the role and position of the federal armaments plants. The results of both working groups are to be available by the end of this year.

## Federal Armaments Plants — More Independent

In addition, since late 1979 and early 1980 there have been eight working groups to examine specific areas within the GRD. The federal armaments plants, which have been subordinate to the GRD since their founding, are a critical sector in that the armaments chief is simultaneously the person satisfying requirements for the army and the chief of these enterprises. In order to defuse this conflict [which may be described as] procuring the best for the army on the one hand, the desire for good plant loading and thus competing against other, private industry offers on the other hand — the course is thus toward more independence for these federal armaments plants.

As a first step, the Federal Office for Armaments Plants, the industrial manager of these plants, is to be paid by them. Hitherto all plants, which have to pay their workers themselves, have overall had a positive balance but experienced some difficulties at certain plants specialized in a specific weapons or munitions sector.

## Gain More Domestic Procurement

In addition to the goal of organizational changes in the armaments sector, consideration is also being given to future improvements, particularly ones effecting relations with industry. Thus armaments planning is being discussed in working groups consisting of representatives from specific industrial branches, the GRD, general staff service groups and the responsible service arms departments so that industry can begin setting up earlier and also better participate in development and manufacturing. The results will then form part of the concrete armaments planning for a legislative period. A concurrent goal is to bring the share of

domestic procurement to previous levels again. In the first half of the 1970's this was still over 70 percent (around 15 percent to federal armaments plants and 60 percent to private industry) but has since, because of large purchases abroad (F-5 Tiger, etc.), decreased to about 55 percent (1975 = 78 percent, 1976 = 74 percent, 1977 = 57 percent, 1978 = 63 percent, 1979 = 62 percent and 1980 = 55 percent). The methods to this end are increased license production, partial license production and coproduction. Over the longer period, the GRO will also turn to uniform procurement procedures for all military material — which is not yet being done. It is also hoped to make increasing use of general contractors for armaments contracts so as to decrease administration. Armaments Chief Charles Grossenbacher told *VEHTECHNIK* that the personnel factor has been emphasized in the GRO for years. There is intensive preliminary and continuation training, primarily in technical areas and management. The GRO is suffering from a hiring freeze in effect since 1974 (for the entire federal administration). This has greatly hindered filling positions in the expanding departments (electronics, data processing) while other departments decline in importance. Transfers are difficult because of the differing qualification requirements. In general, the GRO has to defend itself against the false picture given of it in media attacks as a result of the Panzer 68 defects. Thus the desired new structure is not perceived as imposed. Internal working conditions are good, motivation and suggestions for improvements are coming from within.

#### "A Pause To Think"

But the goal is not just organizational changes and improvements. Overall the entire complex of defense efforts is being critically reviewed against the background of insufficient funds. This is expressed in particular in the ideas for a new Swiss battle tank. In this case not just industrial and economic factors have to be considered. The military is reviewing the procurement of this complete vehicle very thoroughly within the framework of a so-called "tank defense matrix" — which is discussed in more detail below. In general a sort of thinking pause now exists in the Swiss defense area. But one that, in the words of Corps Commandant Zumstein, is "a pause to think, not from thinking."

Let us return to the tank. The goal is to move away from the cause-and-effect chain in which a new and better domestic tank has to follow a new enemy tank. According to Corps Commandant Zumstein, the armaments planners of a neutral state cannot blindly follow this "logic" because it would otherwise lead to a "pocket edition of a great power army." This can be avoided if weapon systems are evaluated in terms of their effect in combination (for example, the tank defense matrix with all possible antitank weapons) and, at the same time, an independent selection is made. Corps Commandant Zumstein: "The army will also find a bird in the hand with two in the bush." For this reason he requires that no excesses, no perfectionism be demanded in performance lists, perhaps even that cheaper systems be developed with which larger numbers can be used to avoid, for example, the firing of expensive munitions such as terminal phase-guided.

Particularly soothing to German ears is the determination that armaments procurements cannot be accomplished efficiently without a calculated risk. "Hat man nicht ein bisschen Risiko?"

"It could be a weapon system being ready too late, costing more than originally planned, failing to perform as expected or yielding support problems of a special type with disagreeable technical and financial consequences. It may also be that a system is no longer contemporary when delivered and is thus tactically obsolete."

A decrease in risk could be gained by tightening up the time phase of the armaments process such as with the already mentioned decree about the Armaments Committee.

#### Value of Domestic Armaments Industry

It is also interesting particularly in Germany to hear that Zumstein as a soldier openly speaks for a broad participation of domestic industry in armaments projects. "The reasons for this are obvious, primarily economic. The large sums we pay for armaments would remain partly in Switzerland. But there are other reasons for the greatest possible participation of domestic industry in armaments procurement:

- the knowledge and infrastructure gained from such contracts will be available to the army for training, operations and support;
- the increasingly important technical product improvement of modern weapon systems can be done easier and, indeed, also more favorably at home and with domestic industry than in a foreign country or overseas. This [applies] also in regard to problems arising after foreign production lines stop for systems which we will continue to operate for a long time;
- domestic industry assumes for a while important buffer functions for the state-bureaucratic armaments process and keeps state inflexibility out of the development and evaluation of a product;
- there are also military political reasons which should lead us to consider the domestic armaments industry to the widest possible degree. It is a question of drawing on belief in native strength and ability, pride in our own work, concern about native material, all of which apply when the Swiss soldier, who is also a worker and entrepreneur, takes up weapons and equipment that have been developed and produced in his own country."

Bearing in mind that, with the possible exception of Israel, nowhere is there such a tight dovetailing of military and industry through militia officers as in Switzerland, it nevertheless seems strange from the German viewpoint when Zumstein also demands: "I place particular value on the service chiefs finding a path to domestic industry. They should not interfere in those areas legally reserved to the Group for Armaments Services. But they should lay their technical and tactical problems on the table and be able to profit from industry's knowledge and industry from them."

Is it not understandable that German industry so often jealously looks abroad when it needs something like this? A German tank supplier said in reference to Switzerland: "There armaments, armed forces and industry are pulling on one rein" — and it is just the same in other countries. Swiss industry will perhaps not completely admit this but a good cooperation of all services in this alpine land is readily conceded, particularly in regard to foreign competition. Money, here meaning a shortage of funds, thus also plays an increasing role in Switzerland as well and for this reason new, large armaments programs are being looked at more critically than a few years ago. One way taken by NATO —

development cooperation — to achieve savings cannot be taken by Switzerland. This is out of the question only in part for reasons of neutrality policy but rather because neutral partners do not have the same set of requirements.

According to Federal Councillor Chevallaz, cooperation attempts with Sweden failed primarily because Sweden has long coasts, a low population density and long distances whereas Switzerland has a high population density [and] a limited expense and thus needs more powerful and heavier weapons.

Nor is it possible to achieve a balance by exporting military material developed in Switzerland. Increased domestic developments are underway only in the air defense sector (Contraves/Cerlikon) for one thing and, for another, there are export restrictions comparable to or even stricter than the German ones. Thus in 1980 armaments exports totalled 340.6 million SFr (425 million each in 1978 and 1979), which amounts to only 0.69 percent of total Swiss exports. Of these, goods to the value of 118.3 million SFr went to the Federal Republic of Germany, 51.4 million to Sweden, 29.5 million to the Netherlands, 25.8 million each to Belgium and Spain, 22.1 million to Austria and 16.8 million to Italy.

#### Domestic Swiss Armaments Program

In this and in coming years the Swiss armed forces — a militia army with the resulting special requirements for militia suitability in regard to military material — will experience a broad renewal of its military material. New aircraft and new antiaircraft weapons have been ordered and a new battle tank may be added. The old material will not be scrapped in all cases but rather continue to be used to satisfy other missions. The following provides information about some armaments programs.

Reliance can be placed on domestic Swiss developments in only a few sectors such as small arms or air defense fire control devices. A great deal has to be procured abroad. The goal here, however, is to produce as much as possible under license in Switzerland for — as explained above — many reasons. These include loading of domestic industry which is, however, still fully occupied [and] acquisition of know how useful for maintenance, combat value increase and further development.

In addition to the programs described in greater detail, work is now still underway on a multitude of further projects although it is not possible to say if any of these systems will ever be introduced.

Thus a one-year trials trial is presently underway to examine possible license production of hand grenades from two foreign manufacturers (OM 11 from Dinstl and HdGr 72 from the Austrian firm of Arges). The British light 105-mm field howitzer of the Royal Ordnance Factory, Nottingham, is also in testing. A new increased range 155-mm round for the M-103 armored howitzer from the Federal Ammunition Plant Altendorf and the Federal Powder Plant Limmis is intended for the artillery. Development is in progress and the first tests have been successful. A system for automating artillery fire control is also being tested.

A medium girder bridge support tested in a troop trial and a light ferry are intended for the combat engineer troops. Also being tested are a prototype system to modernize the air observation and reporting service and two examples of a transportable radar for airspace surveillance and command at lower altitudes. Air defense is to be further improved in the future with the 35mm field antiaircraft cannon with Skyguard fire control devices and Rapier guided missiles which are now being procured. Consideration is also being given to a partial replacement of 20mm cannon with shoulder-fired surface-to-air missiles such as Stinger.

Troop vehicles are to be modernized also with new cross-country trucks with payloads of 5 to 10 tons, with cross-country cars and with cross-country supply vehicles. For trucks, vehicles from Steyr-Daimler-Puch, MAN (Bundeswehr 6-ton cross-country 4x4 and 7-ton cross-country 6x6 but with water-cooled MAN diesels) and Saurer (60M 4x4 and 100M 6x6) are being tested. The Saurer vehicles will probably be picked, primarily for employment policy reasons. The contract for a cross-country supply vehicle with a 1.5-ton payload as a possible Finzgauer replacement is being sought by three Swiss firms, Saurer, MOWAG and Bucher-Guyer, which have done project studies but can also, in part, already display hardware.

The scale of cross-country cars being offered is also broad. Those in test are the Daimler-Benz/Steyr-Daimler-Puch cross-country vehicle, the Range Rover and also the newly developed Saurer cross-country vehicle (described under Saurer). In the armored vehicle sector, the battle tank question is in the foreground but consideration is also being given to new infantry fighting vehicles. These are to be lighter than the cannon-armed tank destroyers also being considered in Switzerland (see the section "New Battle Tank"). It is also believed that some commonality can be achieved, such as in the chassis, drive or running gear parts. There is also a Swiss discussion about wheel versus track for lighter armored vehicles but the armored fighting vehicle which must follow the battle tank in action is probably to continue to be a tracked vehicle. Some preliminary investigation under armed forces contract has already been done by the GRO and industry, an example being that of MOWAG which has built a wooden model of the Taifun 105mm cannon-armed tank destroyer.

#### Selection of New Battle Tank

Although not so much in the public eye at the moment, the selection of a new battle tank is likely still the central armaments topic in Switzerland. After a native development proposed by industry under the leadership of Contraves was rejected by the federal councillor (see the article "Afraid of Their Own Courage" in JEHRTTECHNIK 3/80), interest is now concentrated on the two best battle tanks of the West, the American M-1 Abrams and the German Leopard 2. These vehicles are being evaluated by the GRO, the Swiss Army and, in regard to license production, by Contraves.

The new battle tank is supposed to replace the Swiss Army's original approximately 300 Centurion 55 and 57 and about 150 native-design Panzer 61 battle tanks. Assuming a one-for-one replacement, about 450 tanks are to be procured. This number is given in all calculations about costs, license construction and the like and it seems almost certain that this number will actually be procured. It may be

a personal impression but numerous trips made by JEHRETECHNIK editors to Switzerland now give a very different picture in regard to the new battle tank. Do we really need so many tanks? And such modern tanks that not even all NATO countries have them? Such complex weapon systems at such high cost that they will swallow a large portion of the Swiss armaments costs for years to come? In a land that has only a little "good tank country?" Question after question, scepticism are now frequently seen in our Swiss contacts. And even tank officers who really should want to have "their" weapon are answering more carefully and slower.

The main reason for this more critical attitude is likely the high costs for such a procurement program — around 3 to 4 billion Sfr at present prices. And there is also something of what General Staff Chief Zumstein calls "the psychological defensive attitude toward tanks." They are too massive, make noise, drive across lawns and the like. These are certainly no arguments from the military but the mission of the latter requires them to continually consider what is really needed, how it is to be employed, what effect it is to have. [There is also] Zumstein's already mentioned desire to break away from the cause-and-effect chain of responding to a new enemy tank with a better native design to which the enemy, in turn, must develop a better one. And a battle tank is not a system that fights alone. It is far more a part of a system, an alliance in which it plays a part. For this reason the Swiss Army is also investigating the entire spectrum of tank defense in a so-called "tank matrix." This matrix includes all presently operational Swiss tanks, the Centurion 55 and 57, the Panzer 61 and 68 and also the new battle tank, and other means to combat battle tanks such as artillery which can fire antitank missiles or terminal phase-guided projectiles, antitank guided missiles, tank destroyers or aircraft or antitank helicopters. The number of options to not only replace but also supplement the battle tank is very high. To what extent can aircraft like the Hunter equipped with Maverick be used as tank killers? Can the old Centurion and Panzer 61 tanks or the still produced Panzer 68 have their combat value increased by new fire control systems, better engines or the new kinetic energy ammunition? Or even a light tank destroyer equipped with either missiles like HOT, TOW or their follow-ons or with cannon? There seems to be a certain preference for the cannon-armed tank destroyer. Cannon are fire-and-forget weapons, have a high rate of fire, relatively cheap ammunition, are ECM-proof and, in terms of range, cover completely the field of fire that in Switzerland is seldom more than 1,200 meters — larger missiles are thus not necessary.

The evaluation of all these questions is underway in the armed forces. The result is to be available by 1982, in time for the final decision on a new battle tank, and, also in particular, to know how many battle tanks will be needed. The matrix is also to provide information about what to do if a system belonging to a combination is procured in smaller numbers. In all options consideration must be made of the fact that in Switzerland there are — far more so than in the German army with its field and territorial armies — more combat troops with different missions and consequently different equipment assigned to combat tanks. The best material (such as battle tanks) is to go to the "counterattack formations" followed by the field divisions and then the infantry regiments. The last are the lowest level and still have 10.5cm recoilless rifles but are to become more flexible in the future. The tank destroyer is one possibility here. It is viewed, again somewhat differently than by some in Germany, not so much as a defensive weapon (as

opposed to the battle tank offensive weapon) but far more as a supplement, a support for battle tanks. And, overall, as a flexible, mobile antitank system. Another option is that the counterattack formations continue to receive the best and newest material, that is, the new battle tanks, with the tanks which these replace "sliding down a notch" to the field divisions or infantry. The Swiss Air Force uses a similar multigeneration system. The newest aircraft (F-5E) will be operated as an interceptor while the replaced machines (Hunter) will become ground attack aircraft.

There are more than enough alternates and options and, before the M-1/Leopard selection decision is discussed in detail, yet one more alternative to the new battle tank which has increasingly been put forward by industry. [This is] further lots of the Panzer 68 in a performance-improved version with several improvements in the fire control and ammunition. This alternative should also be viewed against the background of the high costs of a license program for the 120mm gun and ammunition now seen as excessive and what observers call "Swiss stubbornness." A further developed Panzer 68 is, in any case, a fallback position and gives the Swiss a method of keeping balance between the Americans and Germans.

What does the present state of the M-1 and Leopard 2 battle tank evaluation look like? The GRO and tank troops began testing both types this year. Two Leopard 2 tanks, made available at no cost by the Bundeswehr, have been in Switzerland since 9 March. A technical trial ran until 20 April, was followed by a troop trial until 10 June and then another technical trial until the end of October. The two M-1 tanks which arrived in Switzerland on 14 July 1981 will also undergo a technical trial. Then both types will simultaneously undergo a troop trial until 19 December. Three platoons (one command platoon and one each for the Leopard 2 and M-1) with a total of 36 soldiers — including four officers — selected from among 350 German-speaking volunteers have been established. Colonel (General Staff) Oskar Maurer, commander of the Trials Staff of the Federal Office for Mechanized and Light Troops, has described the troop trial as very thorough and including a great deal of paperwork for daily reports and the like. A technical trial of both vehicles will begin in early 1982 and continue until 20 April 1982 when the second phase of the troop trial begins. Overall the troop trial program is to answer the following questions:

- do the tanks being tested meet the mandatory specifications for the Swiss Army's new battle tank?
- what is the tactical performance of both models?
- are both weapon systems suitable for militia crew and operation?
- which of the two types meet or exceed mandatory specifications in specific areas?

The troop trial also includes extensive combat operations with the following minimum performance being required in mandatory specifications:

- the gun and fire control system must allow combatting of standing targets at long ranges and moving targets at medium ranges.
- the tank gunner must be able to hit a moving target within a few seconds.
- when moving across terrain the vehicle must have a very high probability of hitting enemy tanks at medium range with the first shot.

The technical trial is to measure tank performance against required system performance with some use being made of verified foreign test results. "Our own tests are primarily to cover operations under special Swiss conditions which have not been tested elsewhere. They may also be required to complete or vary tests already done abroad in cases where performance data difficult to capture must be measured with the same facilities for both competitors." This according to Heinrich Wuerger, project director of the Federal Office for Armaments Technology of the GRO. The technical trial itself will be done by Technical Department 7 of the GRO. It will also prepare the final report for EMD evaluation which will use data from the results of the troop trial as well as considering systems analysis.

The 1.5-year trial should cost a maximum of 20 million SFr per type. Although the tanks have been made available at no cost, foreign manufacturers must be paid for ammunition, spare parts and services. An originally planned endurance trial had to be dropped because of the shortage of funds. A similar reduction in funds has had the result that the preliminary work on license production to be done by industry will not be as extensive as originally planned. In 1980 about 30 to 40 million SFr were planned for this preliminary work on both types including the acquisition of license documents (transfer of license and blueprints which do not authorize license production) but a cut of about 10 million SFr in federal funds in the spring of this year has made a different procedure necessary. Contraves, as the main contractor for the preliminary work of license production, will now evaluate both types only in regard to Swiss license production so that a crude estimate for each type can be furnished to the GRO in May 1982. The accuracy of the Contraves statements about the license production costs is now, of course, decreased since the foreign firms will not provide as much documentation or information because no paper license which protects foreign rights has been acquired. Despite this, the Americans are generally regarded as happy to pass on information whereas Swiss industry is rather unhappy with its German partners in this regard. Contraves has, of course, been given some components lists for the license production study as well as mechanical equivalents and some access to drawings but without details. But priority has been given to the commercial secrecy of German industry which is not prepared to hand over license production documentation without the protection of paper licenses. German industry has granted particularly limited access to production methods since it — and some Swiss industrial figures concede this — must be afraid that the know how provided thereby could also be used for other developments in Switzerland, such as the new tracks being developed for imported tanks. Many German companies also fear that they will have to give licenses to Swiss firms which have not yet been identified but are competitors in allied areas on the world market and also in Germany. The viewpoint of German industry is that Contraves is capable of accomplishing the required crude production license analysis with the support already provided.

License production in Switzerland would be undertaken by Contraves as general contractor and leader of a private consortium of several firms. Those participating with privileges and ticks in this "New Swiss Battle Tank Consortium" include the firms of Georg Fischer for hull production, Sulzer for welding on the turret and transmission, von Roll for the turret, Saurer for the motor, MMA for running gear parts and FGW for the power train. The Federal Design Workshop Thun is not a participant in the consortium but may, as was the case for the Panzer 61 and 68,

be considered for final assembly and also for production of the cannon. Voting shares in the consortium correspond with cost shares with Contraves itself having over one-third as it also has the most subcontractors. Decisions have to be made with a two-thirds majority or unanimously. It is nevertheless interesting that the GPO as the customer continues to avoid all contact with the consortium. It considers Contraves the sole business partner, this giving the firm roughly the position of a general contractor despite the consortium at its back. Because of the many subcontractors, each linked to a consortium member, competition should be possible to a certain degree with the costs for license production thus not being too high. A general prerequisite is that license production must remain within acceptable limits. Given 60 to 70 percent construction in Switzerland, it is estimated that the increase, including license fees (about 5 percent), will be 20 to 25 percent over those of purchase. The percent of construction to be done by Swiss industry will depend largely on economic efficiency and costs. But the goal is equal participation to the greatest degree possible for all industry partners in question. A license program should provide employment for around 2,000 persons for about six years. No special industrial capabilities will have to be established with the possible exception of Contraves as the firm for management and for the fire control.

In addition to two license production offers from Contraves expected in May 1982, the GPO has also received sales offers from Krauss-Maffei and Chrysler with the former having made its offer for 300 to 600 Leopard 2 this August.

A purchase from German production should make the Leopard 2 somewhat more expensive than the Bundeswehr Leopard 2 because production for the German Army is already running out. In the United States, on the other hand, the M-1 could be purchased in parallel to deliveries for the U.S. Army. This purchase in the United States should also be the "cheapest" solution if the dollar-franc exchange rate does not change too severely to the disadvantage of Switzerland. License production of the Leopard 2, on the other hand, would be the most expensive solution. But, judging by the last report from the United States about price development of the M-1, the difference between it and the Leopard 2 may prove to be very minor. A decision about the path to be followed should be made in May 1982 by the GPO and the chief of the general staff after Contraves delivers the crude license production evaluation and following the results of the troop trials and technical tests. After this, only one type is to be closely examined in regard to license production by Contraves for about a year and the paper license acquired for it. This may not mean complete rejection of the other type which may still be considered for purchase. After Contraves delivers the binding offer in the first half of 1983, the EMD will work up the tank procurement procedure — license production or purchase — and the chief of the EMD will give this to the government. The last will, if it concurs, send it to parliament as the so-called "armaments message" of 1984. Given license production, series deliveries in Switzerland could start in 1987 and, depending on the number of vehicles, continue into the 1990's.

## Panzer 68 Combat Value Increase

The defects in the Panzer 68 developed and manufactured by the Design Workshop Thun have resulted in a lively discussion in Switzerland about armaments and also particularly about the GRD and its subordinate federal armaments plants. The defects and the following discussion were the reason why the organizational changes in the GRD described above were made and private industry was given management for a new Swiss battle tank.

It is now generally acknowledged that the GRD quickly and successfully developed appropriate fixes for most of the 16 recognized defects. According to Armaments Chief Charles Grossenbacher in talks with UEHRTECHNIK, these improvements had already been developed in the GRD when the Pz68 "scandal" broke. From July to October 1980 numerous technical tests were made with six improved tanks and thorough troop trials conducted with 13 vehicles. The heart of the technical test was a five-week endurance test of four tanks during which each was driven 7,500 kilometers in terrain and fired 400 rounds of live ammunition. A comprehensive technical analytical program was run in parallel on two Panzer 68 tanks.

The technical improvements have applied primarily to the running gear (improved separability of tracks, development of new tracks, forged bogies), the driving and steering gearboxes (preventing gearbox damage during forward-reverse shifts and preventing oil vapor explosions during incorrect shifting, turning on the vertical axis), stabilization (no more gun precession, removal of tube vibration) and the ABC system (sealing problems).

More tests have been and will be undertaken this year, including ones with improved variants such as the Tank Recovery Vehicle 68 and the Bridge Laying Tank 68.

In December 1980 EMD Chief Chevallaz released the frozen funds for the Panzer 68 so that a fourth lot of 60 improved new vehicles could be procured as well as the modification of those vehicles already in service. The resupply program — costs of about 100 million SFr — is to be completed by 1984.

In the following years the Panzer 68 is to undergo a further increase in combat value, particularly through a fire control system equipped with a new laser rangefinder. Offers are being made in this case by two consortiums — Honeywell/Zeiss and Hughes/Jild. In this improved version, the Panzer 68 is also considered a serious and increasingly considered alternative to a Leopard 2 or M-1 procurement. The introduction of 105mm kinetic energy (KE) ammunition is another combat value increase measure.

The Panzer 51 is also to have its combat value increased. In addition to KE ammunition — which the Panzer 68 and Centurion will also get — the Panzer 51 is to receive the Panzer 68 sighting systems and a cannon tube-parallel machinegun in place of the present 20mm cannon. The question of whether the Centurion will also have its combat value increased is being examined at present.

## 105mm KE Ammunition

In mid-May 1981 the federal councillor requested in parliament the procurement, within the framework of the 1981/II Armaments Plan, of 105mm KE ammunition developed and manufactured in Israel for the Panzer 61 and 68 and Centurion equipped with 105mm rifled guns. This first lot is to cost 76 million SFr. It is the same ammunition procured for the German Bundeswehr in Israel and from Diehl (license production). A GRO press release describes the ammunition as "... an Israeli product that achieved the best overall rating during the evaluation. Decisive factors in its choice were the technical maturity, the favorable price and the short delivery term. The procurement of a first lot is accompanied by acquisition of license rights. The planned second lot of fin-stabilized ammunition is to later be manufactured in part in Switzerland. The cases will be Swiss-made in the first lot."

## Third Dragon Lot

As a followon to the procurement of two lots of the Dragon light antitank guided missile in the 1977 and 1978 armaments programs, the 1981/II Armaments Program provides for an order of a third lot costing 500 million SFr to equip 48 new guided missile companies for militia infantry antitank defense. The first two lots were used to equip the infantry and wheeled vehicle formations of the ready reserve (conscripts in the 20 to 32 years age groups). Results achieved to date in firing several hundred missiles have resulted in "extremely good" hit rates. Swiss industry headed by the Emmen Aircraft Plant will have about 80 percent of the contract volume of the third lot by license production of live and training missiles. In the first lot only the sight with its test gear and the training material were produced in Switzerland. Swiss production of the missiles makes the procurement about 10 percent more expensive but will keep 220 persons employed for eight years. A firing simulator is used for initial training and two other simulators for advanced training are to be developed under a GRO contract.

## New Assault Rifle

In the 1990's the Swiss Army plans to replace the Assault Rifle 57 produced in large numbers with a new development. Since this new rifle is to be the personal take-home weapon of the Swiss soldier, the present competitive developments are naturally a subject of great interest in Switzerland. In March 1981 the SCHWEIZER ILLUSTRIERTE published an article with a cover picture of the national hero Tell and the headline "Tell's New Weapon."

In addition to a modern technical configuration and hence economic production (estimated at 20 percent less than that of the Assault Rifle 57 which cost 1,620 SFr in 1978), the goal of the development is primarily a reduction in weight and length. Today the fully equipped Swiss soldier "packs" about 35 kilograms including 10 kilograms for the Assault Rifle 57 with 120 rounds of 7.5mm ammunition. The new rifle, which is still being developed for various calibers, would weigh about 8 kilograms with 6.45mm ammunition and only 7 kilograms with 5.5mm ammunition. Both calibers are to have the same accuracy at 300 meters as the present 7.5mm ammunition. In Switzerland this is significant because of off-duty

(usually on Sundays) target shooting. This is also the reason why Swiss weapons are fired much more than those of other armies.

The GRO issued development contracts in 1978 to the only two Swiss infantry small arms manufacturers, the Federal Weapons Plant (U+F) in Bern and the Swiss Industry Corporation (SIG) in Neuhausen. Both firms are developing one prototype assault rifle each in calibers 5.6mm (not 5.56mm but this can be fired if necessary) and 6.45mm. The Federal Ammunition Plant Thun and the Federal Powder Plant Wimmis have received contracts to develop the appropriate ammunition. The bullets of both calibers will have a strong jacket which hinders bullet deformation in soft targets.

Since August 1981 420 of the new rifles have been undergoing a one-year troop trial. Surprisingly, this also includes a one kilogram lighter "slimmed down" version of the SIG Assault Rifle 57 (SG-510) with a shortened barrel (but still in 7.5mm caliber). Subsequently a decision is to be made first as to caliber and then, following an additional evaluation, type. Before series production begins in the late 1980's, several thousand weapons of a zero series are to be tested on a broad basis. Both competing firms will be involved in series production no matter which type is selected.

Both weapons are gas operated, feature selective single, three-round and full automatic fire, have a safety operated from both sides, a bolt hook for quick reloading, a collapsible stock, are equipped with bipod, bayonet, telescopic low-light-level sights and can fire rifle grenades with normal ammunition. Each company has to develop two weapons in calibers 5.6mm and 6.5mm: a personal weapon for the soldier and a shortened rear area weapon such as for tanks and trucks.

The SIG SG-541 rifle is based on the SG-540 manufactured in Manhuren, France, under license since 1976. It has sheet steel receiver and trigger housings and a plastic magazine and handguard covering the gas piston which becomes hot during prolonged firing. The transparent plastic magazine makes it possible to check remaining ammunition.

The U+F models are configured in a strict modular concept with the personal weapon differing from the rear area one largely in the length of the changeable barrel. Because of this, the weapon family can be built up relatively easily to a light machinegun. The magazine is of sheet steel. The charging lever is on top.

The most important technical data are summarized in the table [not included]. After the troop trial some changes in configuration will almost certainly be made and thus no direct comparison can be made at this point. It is sufficient to quote the SCHWEIZER ILLUSTRIERTE: "Our team's impression: the SIG weapon is easier to handle and better suited anatomically. The U+F weapon stands out because of its modular system. Both shoot extremely well."

#### Rapier

The procurement of 60 British Aerospace Rapier air defense systems for about 1.2 billion SFr was approved in the 1980 armaments program. These systems (see

UEHRTECHNIK 4/81 for a detailed description) are to be delivered between 1984 and 1987. They are to be used to establish a mobile guided missile air defense battalion in each mechanized division. The Rapier systems are thus to be used for air defense of the mechanized formations and not so much for point defense. A Rapier system is installed on two Pinzgauer-towed trailers and includes eight soldiers, all needed when taking up a position. Two soldiers are sufficient for firing. Swiss industry has been brought into the program, with additional costs of about 50 million SFr as a result, for license production of the missiles. The Federal Aircraft Plant Emmen is the general contractor for this license production with suppliers being equally divided among the state and private sectors (including the Federal Ammunition Plant Altdorf and the Federal Powder Plant Wimmis). Certain fire unit components are also being produced in Switzerland, resulting in five years of employment for a total of about 140 men. A Rapier target simulator and operating system with radar screen was developed specially for Switzerland. It features one-man operation, automatic and manual target designation, threat evaluation, ECCM and fault localization.

#### More F-5 Tiger

To round out the first lot of 72 F-5E Tiger combat aircraft (1.17 billion SFr) delivered by March 1981, 38 more F-5 Tiger (32 single-seat F-5E, 6 F-5F twin-seat) were ordered for 770 million SFr at the beginning of July within the framework of the 1981 armaments program. Costs were based on an exchange rate of \$1 = 1.70 SFr. The new aircraft are to replace the 1950's-vintage Venoms in three squadrons. The GAD itself has assumed the function of a general contractor with final assembly of all (except one) machines at the Emmen Aircraft Plant. Emmen, Pilatus and FJA will also supply components. Overall the volume of work remaining in Switzerland amounts to around 65 million SFr and will employ 130 directly involved workers for about 2.5 years. Compensation deliveries from the United States can be added to this. The two primary contractors of Northrop and General Electric had to agree to compensate at least 50 percent of their share of \$280 million through offsets, primarily with the Swiss aviation industry.

(In the first lot at least 30 percent of \$450 million had to be compensated but this minimum target has since been exceeded.) Also Swiss industry can compete under the same conditions as American firms for American armaments contracts for another four years until 1987. The 38 F-5 aircraft are to be delivered to the air force from mid-1983 to spring 1985.

#### Maverick For Hunter

The 1979 armaments program combat value increase for the Hunter aircraft transferred to the ground attack role with the introduction of the F-5 has now been expanded by 8 million SFr so as to equip some aircraft for the Maverick missile planned in the 1983 armaments program. The combat value increase of all aircraft has been underway at the Emmen Aircraft Plant since the end of 1980 and will continue through mid-1983. It includes a rocket system improvement (carrying additional Oerlikon 80mm rockets), equipping with 272-kilogram British BL-755 bombs for antitank use and installation of electronic warfare devices (RWS-77 radar warning system and RIAS 75 chaff and IR flare ejection system). The aircraft to be equipped for two Maverick missiles will receive appropriate wiring and cockpit

changes. The Maverick missiles to be procured for about 160 million SFr are the TV versions which give the pilot in the cockpit a television picture transmitted from the missile seeker to a monitor. The Maverick is to achieve a substantial combat value increase with "acceptable" costs against armored targets, radar stations and field fortifications. It is considered suitable for militia operations on the basis of Swiss tests which used an Alouette helicopter equipped with a Maverick seeker head to fly the missile trajectory and thus simulate operations.

Tactical tests with a Hunter equipped with a Maverick system were also done.

When the Hunters are replaced by F-5 Tigers in the ground attack role in the 1990's, these aircraft will also be reequipped with Maverick.

#### 40 PC-7 Training Aircraft

A total of 40 Pilatus PC-7 training aircraft costing 110 million SFr are to be purchased in 1982 (12), 1983 (24) and 1984 (4). They are to replace the 1950's-vintage P-3 training aircraft which are technically obsolete and no longer meet the requirements of a training aircraft for F-5 pilots. The instrument flight-capable PC-7 is powered by a 410 kW turboprop and has a top speed of 425 km/hr. About 45 percent of the contract volume will go abroad with 55 percent remaining in Switzerland. Pilatus has to subcontract half of its contract volume to other Swiss enterprises. A competitor to the PC-7, of which 150 have been ordered and 50 are flying, was the FJA-developed AS-32T, also powered by a turboprop and being a further development of the AS-202-Bravo training aircraft operated in eight countries. It had the disadvantage, however, of not having been ready for series production.

8373  
CSC: 3103/186

## ESA PLANS NEW SATELLITE PROGRAM, MULTIPURPOSE PLATFORM

Paris LE MONDE in French 31 Dec 81 p 22

[Text] After a lot of hemming and hawing which goes back to 1976, the European Space Agency (ESA) has just taken the first step in the implementation of a new satellite program. It has awarded a contract worth 257 million units of account (about 2 billion French francs) to the British firm British Aerospace, which is the leading firm of a group<sup>1</sup> which will be responsible for the construction of the L-Sat (large satellite) satellites. This sum covers studies, the construction of test models and a first flight model, and the parts needed for a second model. Financing will have to be provided later for the construction of this second model, for a reserve satellite, for launching operations, and for ground equipment to be used over a 5-year period.

The total cost of the program should be 388 million units of account (about 3 billion francs) in terms of 1980 prices. The first L-Sat is expected to be in orbit in 1986; it will probably be launched by an Ariane-3, but it might be launched by an American space shuttle.

The main purpose of the program is to put a large multipurpose platform weighing about 1400 kilograms in orbit around the earth and to test various devices it might carry for commercial use. The first flight would test two direct-broadcasting television channels; four telecommunications channels for specialized services (data transmission, high-resolution facsimile); a 12, 20 and 30 gigahertz transmitter to study conditions of the propagation of radio waves at these frequencies through the atmosphere; and an experimental antenna and broad-band relay system for broadcasting from 20 to 30 gigahertz.

## A Costly Program

Neither France nor the Federal Republic of Germany will participate in the program, although it is the remote descendant of a German proposal to place a prototype of a heavy satellite for direct broadcasting television in orbit, launched by the

<sup>1</sup> The other leading members of the group are the Italian firms Aeritalia and Selenia, the Dutch firm Fokker, and the Canadian Spar Aerospace.

fourth Ariane (which has just been launched). Faced with the indecisiveness of ESA--which merely reflected the indecisiveness of the governments of its member states--the FRG gave up its original idea and decided to build, first alone and later in cooperation with France, its own direct broadcasting television satellites. The result of this cooperation was the joint construction of the German TV-Sat and the French TdF-1, which will be placed in orbit in 1984 and 1985 respectively.

The other European countries, not wanting to remain in a dependent position, stayed together with difficulty. Finally, despite the absence of the two major economic powers of the old continent, they found the resources needed to start costly programs for large satellites which compete with the Franco-German project. The French and the FRG call this competition useless; the others consider it necessary.

A third of the financing of L-Sat comes from Great Britain, British Aerospace being the firm which has been awarded the main contract and which will be responsible for the final integration of the different elements of the satellite. Another third of the financing is Italian. Italy will use one of the two channels for a preoperational program of direct-broadcasting television. The next largest contributors are the Netherlands and Canada, providing 10 percent each. The other participants are Belgium, Spain, Denmark and Austria. Four percent of the 257 units of account for the first contract are still outstanding, but the executive body of ESA felt it could already commit itself and have the industries concerned begin work on a program that has been waiting for a long time.

9855  
CSO: 3100/233

GENERAL

CYPRUS

BRIEFS

RELATIONS WITH SAUDI ARABIA--Informed circles reported yesterday that the Cypriot Government is attempting to improve and further develop its relations with Saudi Arabia. The establishment of a Cypriot commercial center in Jiddah, the capital of Saudi Arabia, and the visit of a multi-member Cypriot commercial delegation for talks on trade and economic matters constitute part of continuing discussions.  
[Text] [Nicosia O AGON in Greek 26 Jan 82 p 1]

CSO: 4621/176

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Feb 22, 1982